ANNUAL INVESTOR GUIDE 2024.

INVESTOR CONFERENCE 2023

SEP. 27 / 28 — LIMA, PERU

Credicorp Capital

ALLIES EMPOWERING YOUR DECISIONS

CredicorpCapital

Dear Investor,

We present to you the eleventh version of our Andean Investor Guide, which includes our recommendations for 70 equity issuers and 29 fixed income issuers. As in prior years, the release of this report is meant to coincide with our XXI Annual Investor Conference to be held on September 27th and 28th in Lima. We are expecting the attendance of more than 70 Latin American corporate issuers and almost 115 investors from around the world.

We are proud to inform you that we have now accumulated six consecutive years ranking in the Top 5 in the Institutional Investor surveys in both Chile and North Andean Countries. This shows our deep knowledge of the Andean markets and reflects the results of our persistent efforts to become a top provider of research in the region. Of course, these results would not be possible without your support.

The Andean markets have continued to face a challenging scenario so far this year amid the combination of lower economic growth and high interest rates. That said, the expectation of larger inflows into emerging markets in the upcoming quarters as lower interest rates from the Fed are foreseen, our view of deep monetary policy easing cycles domestically within the next twelve months and the recent reduction in political uncertainty as the likelihood of the approval of radical reforms seems to have dropped are all factors that lead us to believe that some appealing opportunities have arisen in a context of attractive valuations.

Therefore, we are cautiously optimistic about the Andean equity markets for 2024 amid this more benign scenario for domestic inflation and interest rates. Valuations remain extremely appealing, and earnings should recover next year. Chile remains our preferred market due to its higher liquidity level, which should eventually drive higher inflows. We are more conservative in Colombia and Peru as political and regulatory uncertainty remains at unusually high levels in the former market while the El Niño phenomenon is a non-negligible risk for the latter market.

In the fixed income market, we remain defensive, focusing on companies that boast resilient business models and robust access to financing, rooted by the fact that financial metrics are deteriorating for most of the companies under our coverage. However, even though companies are navigating the downward phase of the cycle, many of them started from a position of financial strength, and thus we see good opportunities to leverage the current attractive yields and the expected start of the monetary policy easing cycle.

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 2024!

Best regards,

Eduardo Montero
CEO
Credicorp Capital

Daniel Velandia
Managing Director of Research
Credicorp Capital

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

Contact List

Andean Research Team				
	Daniel Velandia	Managing Director Research - Chief Economist	dvelandia@credicorpcapital.com	(571) 339 4400 Ext.1505
Sales & Trading				
	Andrés Venegas	Head of Sales & Trading	avenegas@credicorpcapital.com	(571) 339 4400 Ext.1317
Equity Research				
	Carolina Ratto Mallie	Executive Director Research - Andean Equities & Retail - Retail & Real Estate	cratto@credicorpcapital.com	(562) 2446 1798 Ext.1798
Chile	Rodrigo Godoy	Team Leader Equity Research Chile - Food&Beverage, Natural Resources, Transport	rgodoy@credicorpcapital.com	(562) 2446 1798
	Andrew McCarthy	VP Utilities - Oil & Gas	amccarthy@credicorpcapital.com	(562) 2446 1751
	Marco Zuñiga	Associate - Telecom & TI, Construction, Industrial, ports	mzunigac@credicorpcapital.com	(562) 2450 1600
	Maria Ignacia Flores	Senior Analyst - Retail & Real Estate	miflores@credicorpcapital.com	(562) 2450 1600
	Claudia Raggio	Junior Analyst - Food & Beverage, Natural Resources, Transport	craggio@credicorpcapital.com	(562) 2450 1600
	Michelle Touzard	Research Coordinator	mtouzard@credicorpcapital.com	(562) 2450 1600
Perú	Miguel Leiva	Team Leader Equity Research Peru - Mining	miguelleiva@credicorpcapital.com	(511) 416 3333
	Ana Paula Galvez	Analyst - Utilities, Oil & Gas	agalvezm@credicorpcapital.com	(511) 416 3333
	Orlando Barriga Almiron	Analyst - Mining	orlandobarriga@credicorpcapital.com	(511) 416 3333
	Bianca Venegas	Analyst - Cement & Construction	biancasvenegas@credicorpcapital.com	(511) 416 3333
Colombia	Steffania Mosquera	Team Leader Equity Research Colombia - Cement & Construction, Nonbank Financials	smosquera@credicorpcapital.com	(571) 339 4400 Ext.1025
	Daniel Mora	Senior Analyst - Andean Banks	dmoraa@credicorpcapital.com	(571) 339 4400 Ext.1609
	Santiago Dorado	Analyst Utilities - Oil & Gas	sdoradod@credicorpcapital.com	(571) 339 4400
	Anibal Quintero	Junior Analyst - Andean Banks	aquintero@credicorpcapital.com	(571) 339 4400
Equity Sales & Trading				
Chile	Jose Manuel Baeza	Head of Equity Sales	jbaeza@credicorpcapital.com	(562) 2450 1637
	Ursula Mitterhofer	Senior Associate Sales & Trading	umitterhofer@credicorpcapital.com	(562) 2450 1613
	Jorge Escalona	Senior Associate Equity Sales	jescalona@credicorpcapital.com	(562) 2446 1732
	Marcelo Saieh H.	Senior Associate Equity Sales	msaieh@credicorpcapital.com	(562) 2450 1629
Perú	Daniel Guzman	Head of Equity - Peru	dguzmang@credicorpcapital.com	(511) 313 2918 Ext 36044
	Renzo Castillo	Equities Sales	renzocastillo@credicorpcapital.com	(511) 416 3333 Ext 36167
Colombia	Juan A. Jiménez	Head of International Equity Sales	jjimenez@credicorpcapital.com	(571) 339 4400 Ext 1701
	Sergio Arango	Senior Associate Equity Sales	sarango@credicorpcapital.com	(571) 339 4400 Ext 1980
	Hugo Bejarano	Senior Associate Equity Sales	hbejarano@credicorpcapital.com	(571) 339 4400
Credicorp Capital, LLC	Sebastian Letters	Equity Trader	jletters@credicorpcapital.com	1-305-455-0988

CredicorpCapital

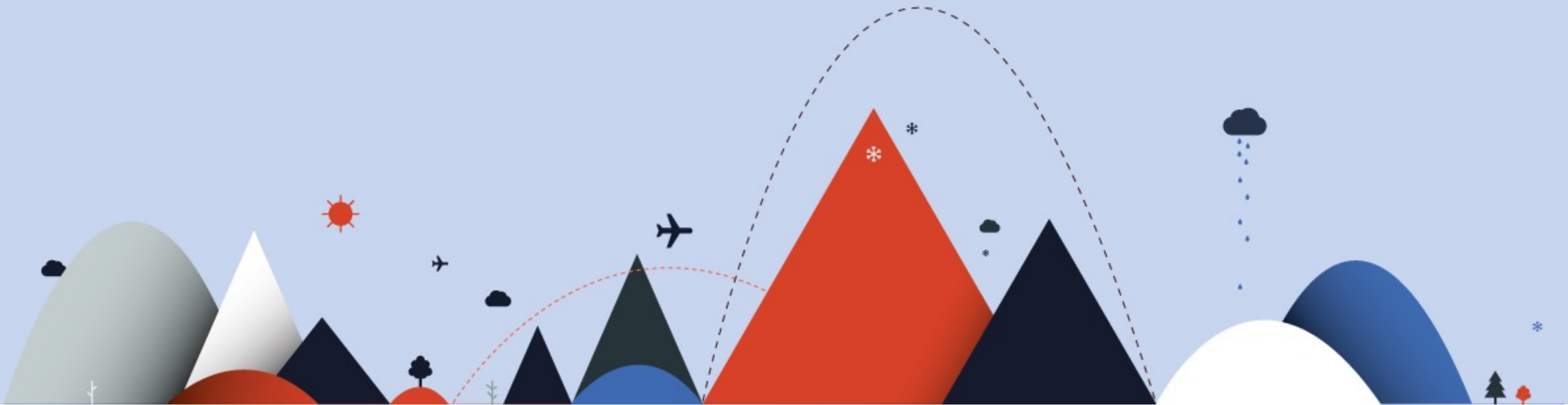
Fixed Income & Economics Research

Chile	Josefina Valdivia	Team Leader Fixed Income Research	jvaldivia@credicorpcapital.com	(562) 2651 9308
	Samuel Carrasco Madrid	Senior Economist	scarrasco@credicorpcapital.com	(562) 2446 1736
Perú	Cynthia Huaccha	Fixed Income Associate	chuaccha@credicorpcapital.com	(511) 416 3333 Ext 37946
	Sandra Loyola	Senior Analyst	sloyola@credicorpcapital.com	(511) 416 3333
Colombia	Diego Camacho	Senior Economist	dcamachoa@credicorpcapital.com	(571) 339 4400
	Daniel Heredia	Economist	dheredia@credicorpcapital.com	(571) 339 4400
	Valentina Hurtado	Economist	vhurtadoc@credicorpcapital.com	(571) 339 4400
	Miguel Ortiz	Junior Data Management Analyst	maortiz@credicorpcapital.com	

Fixed Income Sales & Trading

Chile	Manuel Olivares	Head of Sales	molivares@credicorpcapital.com	(562) 2450 1635
	Natalia Toledo	Senior Associate Derivaties & Structyring	ntoledo@credicorpcapital.com	(562) 2450 1636
	Stefan Ziegele	Fixed Income Sales	sziegele@credicorpcapital.com	(562) 2446 1738
	Antonia Fuenzalida	Fixed Income Sales	afuenzalida@credicorpcapital.com	(562) 2450 1669
	Sebastián Haecker	Fixed Income Sales	shaecker@credicorpcapital.com	(562) 2450 1635
Perú	Evangeline Arapoglou	Head of international FI Sales	earapoglou@credicorpcapital.com	(511) 416 3333 Ext. 36099
	Maite Butrón	Fixed Income Analyst	maitebutron@credicorpcapital.com	(511) 416 3333 Ext. 36143
	Josué Revilla	Fixed Income Sales	josuerevilla@credicorpcapital.com	(511) 416-3333 Ext. 36168
Colombia	Carlos Sanchez	Head of Fixed Income	csanchez@credicorpcapital.com	(571) 323 9154
	Andrés Agudelo	Fixed Income Sales	aagudelo@credicorpcapital.com	(571) 339 4400 Ext 1180

Credicorp Capital, LLC	Jhonathan Rico	Fixed Income Trader	jrico@credicorpcapital.com	1 (786) 999 1614
Credicorp Capital, LLC	Andrés Valderrama	Fixed Income Trader	jvalderrama@credicorpcapital.com	51 9 4751 3046



CONTENTS

Haga clic sobre el nombre de la sección a la que desea ir rápidamente

CONTENTS

ANNUAL INVESTOR GUIDE 2024.

This page has been intentionally left blank

Ø1

ANDEAN EQUITIES STRATEGY

ANNUAL INVESTOR GUIDE 2024.

Credicorp Capital

ALLIES EMPOWERING YOUR DECISIONS

Andean Equities Strategy

2024: Facing the Tough Realities, Not Chasing Utopia

"Nobody makes a greater mistake than he who does nothing because he could do only a little." Edmund Burke

Politics is far from perfect, and recovery often unfolds gradually. However, seizing an opportunity often entails making purchases when assets are at their lowest point.

2023 has proven to be a challenging year, marked by significant macroeconomic adjustments that followed the euphoric post-pandemic period characterized by record-breaking consumption growth driven by factors such as withdrawals from pension savings, fiscal transfers and soaring commodity prices, among others. The aftermath of this period has left us grappling with persistently high interest rates and elevated levels of inflation. Last year, we titled this report 'A Call for Moderation.' This title reflected the difficulties faced by left-wing governments across the Andean region in implementing their reform agendas, which, in turn, contributed to lower political risk.

2023 has proven to be a challenging year, marked by significant macro adjustments. 2024 will be a transition year with a gradual recovery in earnings.

2024 will be a transition year with a gradual recovery in earnings coming from lower inflation and lower interest rates positively impacting domestic demand and private investment. In addition, in all three countries, the risk of a transformational reform agenda seems to be ruled out, but we are not out of the woods yet. The stark reality is that government execution of public investments has been consistently subpar. This is particularly evident in Colombia, where civil works contracts have plummeted to their lowest levels since 2010. Furthermore, changes to the conditions of the social-interest housing subsidy have cast a shadow over the sector's prospects. In Peru, despite the presence of a cabinet with a greater technical profile in the Boluarte administration, the execution rate of the total budget remains disappointingly low (~38%), but this is mainly due to regional and local governments. To exacerbate the situation, only a small fraction of the allocated funds designated for preventive measures against the El Niño phenomenon have been used (~6%). A glimmer of hope shines on Chile, where we have witnessed a resurgence in private investment following congressional approval of a moderate law on mining royalties. However, the external environment adds a layer of complexity. The weakening Chinese economy is undeniably affecting commodity prices, and the Federal Reserve's timeline for initiating interest rate reductions remains a subject of ongoing debate.

From an equity perspective, stock selections will continue to be extremely important, but downside risk seems limited. Liquidity remains our primary concern, but our outlook for Chile is positive. There are compelling reasons for our confidence. i) Valuations continue to be attractive, and political risks appear minimal. ii) Investments are showing signs of recovery, and we anticipate a resurgence in consumption momentum in 4Q23, driven by an expected 425-bp rate cut later this year. iii) Local institutional investors have shown strong interest, and we expect retail investors to join the market in the latter half of 2023, provided we witness lower rates in the USA, which could attract foreign investor inflows.

Enhancing liquidity is the key to unlocking value in this scenario. In contrast, we maintain a more cautious stance in Colombia and Peru as political and regulatory uncertainty remains high in the former and the El Niño phenomenon poses a non-negligible risk in the latter. Currently, the likelihood of a moderate El Niño event stands at 58%, with a 25% probability of a strong El Niño event, according to ENFEN (National Committee for the Study of El Niño).

In USD, Peru is the main outperformer on a YTD basis (~11%), followed by Chile (~9%), recently affected by the CLP depreciation. Instead, Colombia posted negative yields.

On a year-to-date (YTD) basis, the Andean markets have displayed underperformance when assessed in USD terms compared to the MSCI Latin America index. Chile took the lead in CLP (Chilean Peso) terms, achieving a positive return of approximately 12%. However, the recent significant depreciation of the CLP in the past month, driven by a lower carry, has somewhat tempered its performance, resulting in a ~9% return in USD terms, now trailing behind Peru. Within the Chilean market, utility companies have been the standout winners this season. Most of them have reported record-high figures thanks to a substantial improvement in hydrological conditions. Additionally, consumer staples have enjoyed a notable rally, primarily due to their resilient results amid macroeconomic deceleration. Conversely, companies linked to commodities, such as SQM, CAP and pulp producers, found themselves among the underperformers during this period. Peru, against the odds, posted an ~11% return in USD terms, partially explained by the stability of its currency. Lower political tensions have undoubtedly played a role, but one-time corporate events have also boosted share prices. These events include the purchase offer for Enel Distribution at attractive valuations, as well as a buyback program at Ferreycorp. In the mining sector, Southern Copper, Minsur and Buenaventura emerged as some of the most profitable stocks, driven by the medium-term outlooks for copper and tin prices, coupled with elevated gold prices. In contrast, Volcan and Nexa, which are more exposed to zinc, faced challenges. The construction and banking sectors performed poorly due to the slowdown in economic activity. The Colombian market posted negative yields in both local currencies and USD, consistent with concerns regarding the lack of positive catalysts. Despite the slow progress of reforms, political and regulatory uncertainty persists. In this context, the financial sector was the main underperformer, particularly after banks adjusted their profitability projections for this year downward.

Lack of liquidity reflected in material year-to-year ADTV declines, specially in Colombia and Peru. Chile ADTV also remained below 2022 levels.

Insufficient liquidity poses a significant hurdle; this situation is particularly worsening in Colombia. In 2023, ADTV is only ~USD 13 mn, which represents a decrease of ~30% y/y. In fact, the significant drop in liquidity led to a debate about whether Colombia may be reclassified as a frontier market. Indeed, while in 2013 there were 16 Colombian stocks in the MSCI EM index, the exit of Ecopetrol has left Colombia with only three stocks in the index (the minimum required to avoid a reclassification). However, MSCI has not announced any consultations, and we believe that the potential inclusion of Exito, following its substantial increase in free float from 3.5% to 53%, could be a game-changer. Pension funds continue to act as net sellers, likely adopting a cautious approach amid ongoing discussions on pension reform. In Peru, ADTV for this year stands at ~USD 7 mn, representing a 37% decrease compared to the previous year, while pension funds have remained on the sidelines due to uncertainty over the reform of the pension system, or potential new authorizations to withdraw funds. In Chile, despite an uptick in foreign investor interest (notably, the creation of the ECH basket exceeded USD 90 mn in July, marking the largest passive inflow into that ETF since September of last year when the proposed new constitution was rejected), the ADTV remained below the levels observed in 2022 during the first half of 2023, approaching USD 130 mn.

We expect more inflows in Chile, in Colombia pension funds remain on the sideline, while there may be some profit-taking in Peru.

Our perspective on market-momentum flows. In the Colombian market, we observe a lack of marginal buyers, with foreign investors adopting a cautious stance due to announcements by President Petro regarding potential intervention in various sectors, including oil & gas, construction, utilities and road concessions. Meanwhile, local institutional investors have remained on the sidelines. While specific corporate news can influence prices for individual stocks (such as the Cementos Argos deal with Summit Materials in the USA or Exito's free float increase), our overall perspective is bearish when considering the broader market dynamics. In Peru, we are not discounting the possibility of some profit-taking, given the increased volatility in metal prices, lackluster macroeconomic indicators and uncertainty surrounding the potential impact of a strong El Niño phenomenon. In Chile, the situation is different. Both pension funds and mutual funds have been net buyers, indicating a strong appetite for the stock market. Chile has taken the lead in reducing interest rates, which is expected to accelerate economic recovery while diminishing the appeal of time deposits. We anticipate that retail investors will enter the market more actively by the end of the year. The catalyst for international investors is undoubtedly the lower interest rates in the USA, which, in turn, should contribute to the appreciation of the CLP.

A more optimistic outlook for Chile due to strong macro indicators and reduced risk on the reform agenda.

As anticipated, we hold a more optimistic outlook for Chile on the macroeconomic and political front. Significantly, the total investment pipeline for the next five years has been revised upwards by nearly USD 12 bn, with a particular focus on mining and energy projects. It is worth noting that some mining projects, such as Centinela and Los Bronces, totaling USD 7 bn, were not initially considered in the new pipeline but hold the potential for inclusion in the near future. We expect a modest GDP contraction of 0.3% this year, followed by a robust expansion of 2.3% next year. Chile leads in the rapid normalization of inflation, with rates projected to decrease from approximately 13% in December 2022 to an estimated 4% by year-end. Regarding the reform agenda, its legacy appears almost negligible. Currently, only two reforms are under discussion: pension reform and tax reform. However, progress has been limited due to ongoing investigations into the misallocation and misappropriation of public funds.

In Colombia, risks are titled to the downside due to lower investments and uncertainty around regulatory environment.

In Colombia risks are titled to the downside. In Colombia, we expect 1.3% GDP growth for this year, driven primarily by public spending. Both private consumption and investment are expected to stage a gradual recovery, supported by the prospect of lower inflation and interest rates. Looking ahead to 2024, we project a 2.2% growth rate, but we perceive risks that are skewed toward the downside, mainly due to the substantial challenges facing investment, as mentioned previously. Our year-end inflation estimate stands at 9%. In this context, we anticipate that the BanRep will commence an easing cycle before the end of the year, though the El Niño event could potentially impact policy decisions and lead to delays. Regarding politics, despite President Petro's loss of support in Congress, his disapproval rates remain notably high, hovering around ~60%. His closest allies (including his son) are currently under investigation for allegations of corruption and illegal financing related to the presidential campaign, and polling data suggests that he is likely to face defeat in upcoming regional and local elections, and thus ongoing uncertainty persists. This is because of his strong inclination for substantial intervention in various sectors.

In Peru, El Niño introduces additional uncertainty.

In Peru, things will get worse before they get better. Following a 0.5% y/y decline in GDP during the first half of 2023, which marked the worst first semester in 22 years (excluding the pandemic period), the most recent available economic indicators have presented a mixed picture. GDP growth is expected to remain below 1%, with a forecast of only 2% growth in 2024. In terms of inflation, the trend continues to be one of deceleration. While we still anticipate the start of an easing cycle this year, factors like El Niño introduce additional uncertainty, affecting both our GDP estimates and inflation projections. On the political front, noise has subsided, though both the government and Congress maintain low approval ratings. The Boluarte administration has proposed a political reform aimed at strengthening democracy, potentially involving a return to bicameralism. However, the likelihood of moving forward with this reform appears to be rather low at the moment. The discussion of the pension reform in a plenary session of Congress is still pending.

OW Chile. Good macro fundamentals, lower political risk, expectations of increased inflows, and an attractive entry point.

UW Colombia. Regulatory uncertainty, low liquidity, lack of positive catalysts.

Neutral Peru. High level of short-term uncertainty on commodity prices and the "El Niño phenomenon".

How to play the Andes. Overweight Chile. While Chile has struggled to separate itself from the performance of international markets, partly due to lower liquidity levels that amplify the impact of global flows, there is a consensus among investors that there are reasons for optimism. Firstly, better-than-expected investment figures and a faster-than-anticipated decline in inflation align with Chile's aggressive approach to interest rate cuts. Secondly, the political risk is currently at its lowest level, with a chance that the new constitution will be rejected. Thirdly, there are expectations of increased inflows as the Fed begins lowering rates. Fourthly, the market presents an attractive entry point following a correction in August, with the IPSA trading below 9x P/E Fwd, representing a discount of about 45% compared to its historical average. Lastly, Chile offers a high dividend yield in the range of 8% to 9%. **Underweight Colombia.** The tender offers by Gilinski, the exclusion of Ecopetrol from the indexes, President Petro's reluctance to award new oil & gas exploration contracts, along with potential reforms in the electricity sector and the freezing of toll road rates in January 2023, have left us with very few compelling bottom-up investment opportunities. Additionally, adopting a top-down approach does not seem advantageous, given the downward trajectory of our macroeconomic indicators, while our earnings forecast for 2024 remains relatively stagnant. Valuations may be discounted, but they do not suffice, particularly when factoring in the significant decline in liquidity. **Neutral Peru.** Although we are not overly optimistic about the Peruvian market due to the high level of short-term uncertainty stemming from external factors like commodity prices and climate events, we acknowledge the possibility of a positive scenario if the country can sustain its economic recovery. Notably, reduced political turbulence, a more favorable government approach to private investment, high gold prices and a favorable medium-term outlook for copper prices should contribute to a gradual improvement in corporate earnings, which, in turn, is expected to support the market. Valuation appears somewhat discounted when excluding Southern Copper and Buenaventura from the sample, while the construction and financial sectors valuations are positioned at the lower end of the spectrum.

2024 year-end total market returns of ~28% for Chile, ~40% for Colombia, and ~17% for Peru. A significant portion of this potential upside is driven by dividend yields (~8.7% in Chile, ~10% in Colombia and ~5% in Peru).

Market targets and earnings growth. We are setting 2024 year-end targets for local indexes that imply a total market return of ~28% for Chile,~40% for Colombia, and ~17% for Peru. In Chile and Colombia, a significant portion of this potential upside is driven by dividend yields (~8.7% in Chile, ~10% in Colombia and ~5% in Peru), primarily due to discounted valuations. In Chile, we are projecting a significant decline in earnings of ~37% in CLP in 2023, partly attributable to a substantial decrease in profits from Vapores. When excluding Vapores, earnings still drop by ~25%. Furthermore, commodity-related companies are experiencing double-digit decreases in net income, while banks are being affected by lower inflation and net interest margins (NIM), and consumer discretionary sectors face challenges in the macroeconomic environment. However, utilities are an exception, showing strong year-on-year growth due to improved hydrological conditions and a favorable comparative base. Looking ahead to 2024, earnings are estimated to grow by ~10% (excluding one-offs related to ongoing asset sales), driven by the retail, beverage and pulp & paper sectors. Based on these figures, the IPSA Index appears to be trading at an attractive valuation of 8.6x 2024 P/E. In Colombia, we anticipate a relatively flat performance in 2024 after a challenging 2023 (-30% y/y), with the utilities segment continuing to support earnings and the banking sector beginning its path to recovery. After the ~30% drop in earnings for 2023, our sample shows only a modest ~5% y/y increase in earnings for 2024, with Ecopetrol acting as a drag. When excluding the oil company, we see a ~17% y/y increase in earnings. In Peru, earnings are expected to decrease by ~8% this year, primarily driven by the mining sector, which was negatively impacted by production disruptions in 1Q23 and lower metal prices. However, in the following year, profits are projected to substantially improve, growing by ~26%, with more positive earnings momentum across various sectors. It is important to note that a strong El Niño event could significantly alter these estimates.

Top Picks.

SMU, LATAM Airlines, Empresas COPEC, Bancolombia, Cemargos, Inretail, Engie Peru and Buenaventura.

Top picks and strategy. Chile. Stay selective. Despite our medium-term optimism in this market, the low liquidity levels expose it to global market volatility. Therefore, we prefer to maintain a neutral stance on high-beta names and instead focus on our top-performing bottom-up growth stories for 2024. Our top picks include LATAM Airlines (thanks to its more robust balance sheet and competitive cost structure, expected reduction of its cost of debt, inclusion in the FTSE global indices and the global recovery in tourism), COPEC (a lagging name so far this year whose EBITDA is forecasted to grow 25% in 2024, even assuming flat pulp prices, thanks to rising pulp production and fixed cost dilution), and SMU (demonstrating resilient results due to its cash & carry exposure, strong pipeline of new store openings, stable margins, attractive valuations and high dividend yield). **Colombia. Avoid regulatory risk.** Given the prevailing uncertainty, we are taking a cautious approach by focusing on companies with medium- to long-term strategies in which we have confidence and minimal short-term regulatory noise. Our top preference continues to be Bancolombia, which we continue to view as a top pick. We anticipate that Bancolombia will maintain its outperformance in terms of net profits and profitability compared to key competitors. However, it is important to note that Bancolombia carries a high-beta profile.

Additionally, we recommend considering Cementos Argos, primarily due to its highly discounted valuation, especially when factoring in its presence in the USA. In the USA, cement companies are trading in the 9-10x range, which became evident after the announcement of its merger with Summit Materials to consolidate a construction materials platform, resulting in a positive impact of ~30% on the day of the announcement. **Peru. Stay defensive.** In preparation for a potential strong El Niño phenomenon, we favor companies with resilient business models, strong finances and promising growth prospects. Our top picks are InRetail (stable growth, aggressive store openings, discounted valuations), Engie Energia Peru (increased production, reduced exposure to energy spot market, double-digit EBITDA growth) and Buenaventura (compelling medium-term investment opportunity with gold and copper exposure, some projects to increase its production and valuation supported by its stake in Cerro Verde).

Key topics to monitor. macro recovery, external news on the Fed and China, regional elections in Colombia and particular corporate events.

Key topics to monitor in the Andean countries include the trajectory of economic recovery, fluctuations in inflation rates, central bank decisions on interest rates and global economic developments, particularly those related to China and the Federal Reserve. In Chile, attention should be given to the constitutional process in December, ongoing discussions on pension reform and corporate events involving companies like BCI, Falabella and LATAM Airlines. In Colombia, watch for the outcomes of regional elections, progress in the energy transition and energy reform, infrastructure investments and discussions surrounding pension reform, as well as market events linked to MSCI rebalances and corporate news concerning Ecopetrol, ISA, Cementos Argos, Nutresa and Exito. In Peru, stay updated on developments related to the El Niño phenomenon, discussions about pension reform and corporate events involving companies like Enel Dx, Enel Gx, Volcan and Aenza.

Risk to our thesis. i) disappointing earning season in Chile with ongoing low liquidity levels. ii) a shift in political risk perception in Colombia.

Risks to our thesis. i) In Chile, our positive outlook relies on the impact of lower interest rates on corporate earnings and market sentiment. However, disappointing earnings results in conjunction with ongoing low liquidity levels could weaken market momentum. ii) In Colombia, a shift in political risk perception after regional and local elections or the inclusion of Exito in the indexes, securing its place in the MSCI Colcap Index, could have a substantial impact on the market. iii) In Peru, the possibility of a strong El Niño phenomenon with damage to the economy greater than expected.

Andean Picks

	Last Price	Target Price	Upside	Total Return	Mkt. (USD mn)	P/E 2023E	P/E 2024E	FV/EBITDA 2023E	FV/EBITDA 2024E	P/BV LTM	Div Yield 2024E	Sector
SMU	165	240	45.6%	52.3%	1,068	10.3	8.3	6.6	6.4	1.2	6.8%	Retail
LATAM Airlines	8.4	10.5	24.9%	28.2%	5,696	9.1	10.6	4.2	3.8	21.9	3.3%	Transport
Empresas COPEC	5,931	7,600	28.1%	31.3%	8,649	16.4	10.6	8.2	6.6	0.7	3.1%	Pulp & Paper
Bancolombia	25,530	38,500	50.8%	64.5%	6,512	4.0	4.3	nm	nm	0.7	13.7%	Banks
Cemargos	4,105	6,200	51.0%	59.2%	1,339	24.3	23.7	5.3	5.5	0.6	8.2%	Cement & Construction
Inretail	33.5	43.7	30.4%	34.5%	3,642	14.7	14.3	8.1	7.5	2.7	4.1%	Retail
Engie Peru	4.72	6.02	27.5%	31.4%	767	7.8	7.8	5.3	5.0	0.6	3.8%	Utilities
Buenaventura	8.4	10.1	20.1%	20.9%	2,318	24.0	27.0	5.6	5.2	0.8	0.7%	Mining
Andean Picks [a]			34.8%	40.3%	29,992	13.8	13.3	6.2	5.7	3.7	5.5%	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

Corporate Earnings

2023 has been a year of strong adjustments, with earnings dropping across all three countries. The most negatively impacted are cyclical sectors (banks, retailers) and commodity-linked companies, though in Peru mining companies exposed to copper and gold reported relatively resilient results. Even though we are forecasting an earnings recovery in 2024, it will be modest considering the strong drop seen this year. This is also related to the fact that most commodity prices are still below 2022 level.

In Chile, earnings would decrease by -37% y/y in 2023 and will increase by 10% y/y in 2024.

In Chile, we predict a substantial 37% y/y decrease in recurring earnings, primarily due to significant declines in Vapores and Quiñenco, both facing earnings drops of more than 80% due to lower container shipping rates, as well as a sharp decline of more than 60% in the pulp & paper sector attributed to lower pulp prices. Excluding these companies, the IPSA Index is expected to see a 17% drop in earnings driven by reduced profits in the mining sector (lower lithium prices for SQM and losses in steel-related businesses for CAP), lower bank revenues due to inflation trends, increased provision expenses and challenges faced by discretionary retailers amid a consumption slowdown and cost pressures. However, these issues will be partially offset by increased earnings for electric utilities due to improved hydrological conditions and mid-single-digit growth in the shopping mall and the beverages sectors. **Looking ahead to 2024, we anticipate a 10% earnings increase led by the retail, beverages, pulp & paper and mining sectors, with a notable recovery in the retail sector,** particularly in discretionary categories, and strong performance in the beverages sector, including Concha y Toro. The pulp & paper sector is expected to grow by 17% in CLP, primarily driven by COPEC, while the mining sector, despite lower lithium prices, will benefit from higher volumes and improved margins due to lower royalty rates for SQM. CAP is expected to return to positive (though modest) numbers, while banks and the real estate sector are forecasted to have flat earnings. The electric utilities sector is the only sector expected to see a drop in recurring earnings due to normalized hydrology and weaker gas commercialization activity by Enel Chile, offsetting the earnings from new renewables plants.

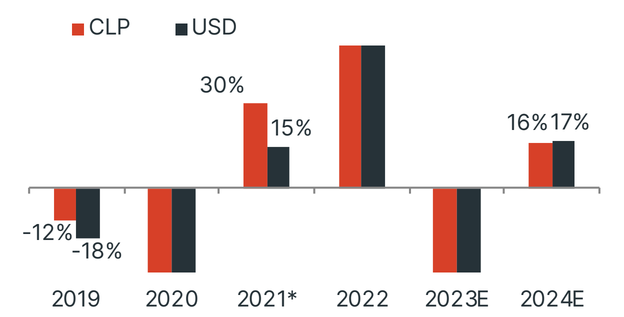
In Colombia, we expect a sharp 31% y/y decline in 2023 earnings for our sample and a 5% y/y increase in 2024.

In Colombia, the utilities segment is poised to play a pivotal role in shoring up earnings, while the banking sector is on a path to recovery. Notably, **we expect a sharp 31% y/y decline in earnings for 2023, with a particularly harsh 50% y/y drop observed in the second quarter of the year. Looking ahead to 2024, we project a 5% y/y increase in earnings, signaling a rebound in the overall financial landscape.** It is worth noting that Ecopetrol is expected to weigh down earnings for the year, but when excluding the oil company, we foresee more optimistic 17% y/y earnings growth. As mentioned, the utilities segment stands out as the most resilient within the market, with a projected 12% y/y earnings increase for 2023 and an even more substantial 18% y/y rise expected for 2024. For the banking sector, after enduring a 33% y/y earnings dip in 2023, we anticipate a robust 20% y/y earnings recovery in 2024. On the other hand, the oil & gas (O&G) sector is likely to face challenges, with an anticipated 8% y/y earnings decline in 2024, primarily attributed to financial operational leverage. These forecasts provide insights into the nuanced financial landscape, emphasizing the importance of sector-specific dynamics and external factors that can impact earnings.

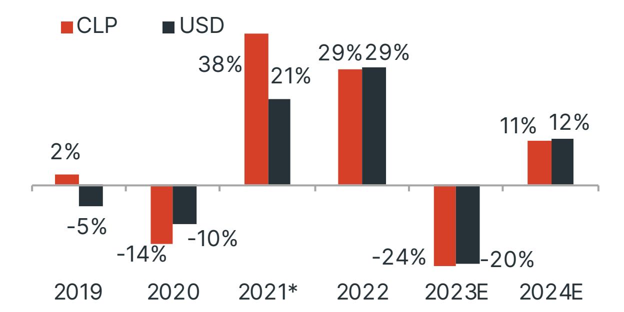
In Peru, we are forecasting an 8% y/y decline in earnings for 2023 and a potential rebound of 26% in 2024.

In Peru, we expect an 8% decline in the earnings of the companies we cover for the year 2023, primarily driven by challenges in the mining sector due to lower metal prices (particularly for zinc), reduced production and ongoing cost inflation. However, we foresee a potential rebound of 26% in earnings for these companies in 2024. This anticipated recovery in 2024 is expected to be driven by improved mining production as new projects come online, coupled with higher metal prices. Similarly, the food, financial and construction sectors are expected to exhibit a similar trajectory, aligning with the current subdued economic conditions in 2023 and the anticipated economic revival in 2024. In contrast, we anticipate that the retail and utilities sectors will demonstrate resilient results both this year and next year. However, in the case of the utilities sector, it will be crucial to monitor the potential impacts of the El Niño phenomenon on the companies' operations.

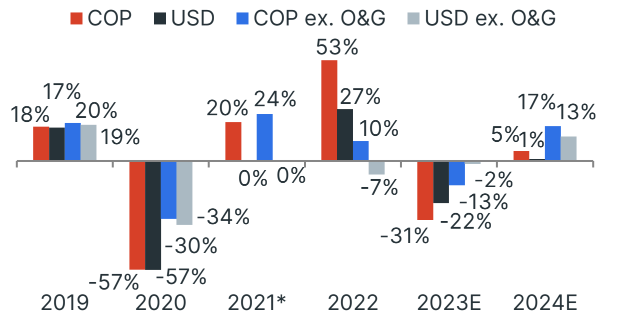
Chile – EPS Growth (Full sample)



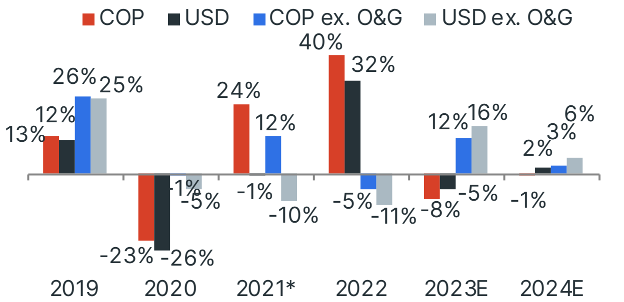
Chile – EBITDA Growth (Full sample)



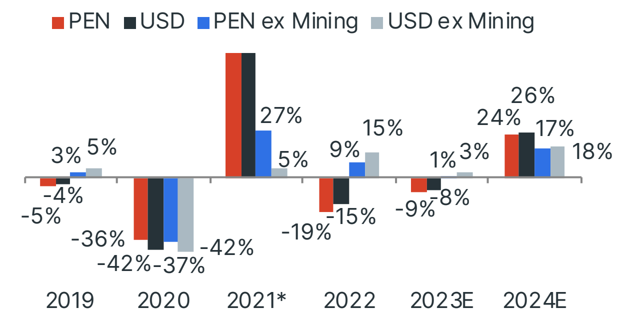
Colombia – EPS Growth



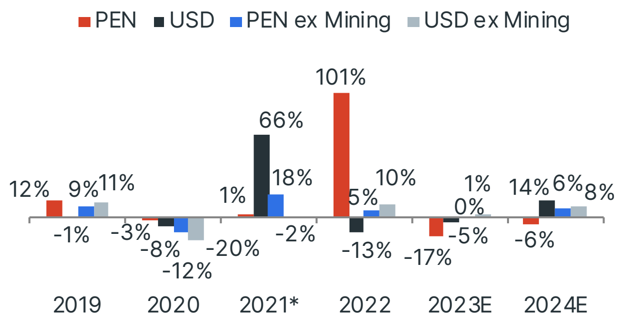
Colombia – EBITDA Growth



Peru – EPS Growth



Peru – EBITDA Growth



* 2021 vs 2019 comparison.

Investment Flows

Liquidity has become a genuine concern among Andean economies.

Liquidity has become a genuine concern, with Chile's pension funds receiving substantial support. However, we are observing a limited appetite for investments among market participants in Colombia and Peru. Regrettably, we do not anticipate a rapid reversal of these trends in the near term. The key factors contributing to this situation are the pressing need for more clarity regarding regulatory uncertainties in Colombia and the discussions around a comprehensive reform of the pension system in Peru.

In Chile, liquidity is ~24% down y/y, but we see an emerging trend of increased interest from retail investors. Foreign investment flows will align with lower rates in USA.

Regarding stock market activity in the IPSA Index, the average daily trading volume (ADTV) has experienced a notable 24% y/y decline in CLP to USD 127 mn as of the end of August. Turning to investment flows, pension funds have emerged as net buyers of local equities with an accumulation of around USD 845 mn year-to-date (YTD) as of the end of August (excluding divestment related to Hortifrut's tender offer in June). It is noteworthy that net investment in local equities reached USD 1.4 bn in 2022. Pension fund managers have consistently maintained a buying stance for eleven of the past twelve months. In contrast, mutual funds shifted to being net buyers of local equities for the second consecutive month in July, following a period of net selling until May, with a total of USD 23 mn in cumulative net purchases so far this year (USD 77 mn in June and July combined). This shift suggests an emerging trend of increased interest from retail investors in the promising prospects of the equity market. Lastly, the creation of ECH baskets led to a significant net inflow of USD 95 mn, with most of it occurring in July, marking the largest passive inflow into this ETF since Chileans rejected the constitutional proposal in September of last year. However, we anticipate that foreign investment flows will align with the trend of decreasing interest rates in the USA, which we consider to be the primary catalyst for this shift.

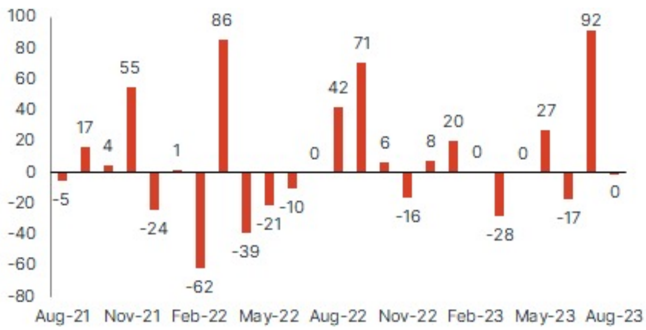
In Colombia, the significant drop in liquidity has raised concerns about a potential reclassification by the MSCI to the Frontier market.

Colombia presents a complex situation within the Andean region, notably seen in the pension funds' net selling position of approximately USD 70.6 mn YTD, while foreign investors have maintained a buying position with net purchases of around USD 20.3 mn YTD. The significant drop in liquidity has raised concerns about a potential reclassification by the MSCI to frontier market. This concern has indeed influenced foreign appetite, resulting in net selling in August. In the context of this situation, the ADTV has decreased from USD 13.02 mn in 2022 to USD 11.41 mn in August, marking a significant 28.9% y/y decline. According to MSCI's criteria, maintaining the emerging market classification requires having at least three "investable" stocks. One potential risk is that the liquidity of ISA, a key component, has decreased, potentially impacting its "investable" status. While assessing these scenarios, our base case projection is that Colombia should be able to retain its inclusion in the MSCI Emerging Market Colombian Index.

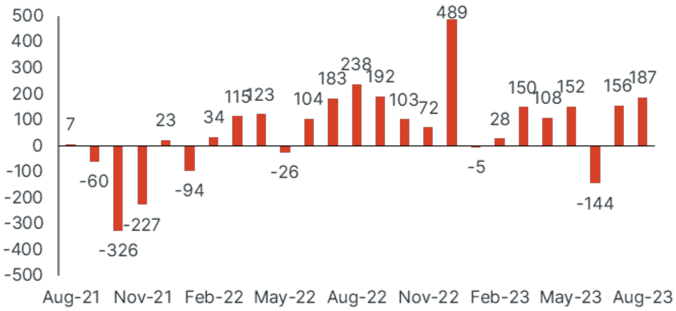
In Peru, volumes have dropped, partly attributed to the limited involvement of the Pension Fund Administrators (AFPs).

In Peru, the ADTV recorded through August amounted to USD 7 mn, marking a substantial 37% decrease compared to the figure reported in the previous year. This decline can be partly attributed to the limited involvement of the pension fund administrators (AFPs). Their reduced participation comes amid ongoing discussions in Congress regarding a comprehensive reform of the pension system and some proposals to authorize new withdrawals from pension funds. Additionally, the ADTV was impacted by diminished activity from both retail and foreign investors, partly stemming from the social protests that transpired at the beginning of the year and the persistently weak economic indicators. Consequently, the primary net sellers in the market continued to be the AFPs, followed by retail and foreign investors, while other local institutional investors took on the role of main buyers.

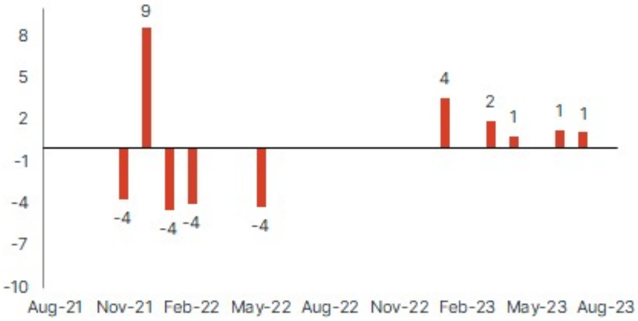
Chile – ETF Flows – ECH (USD mn)



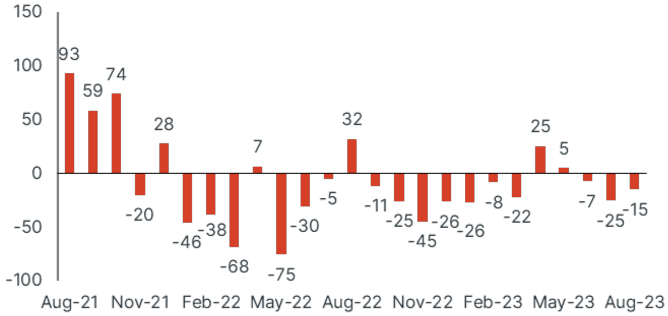
Chile – AFPs net equity flows (mn)



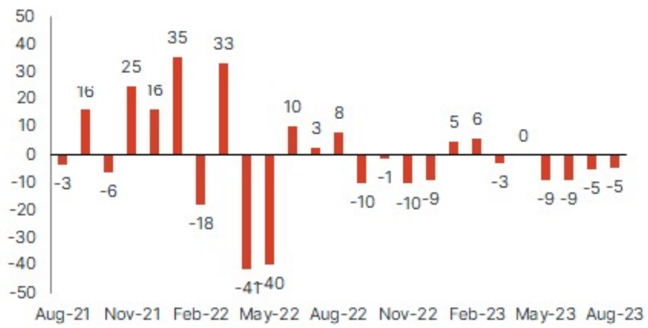
Colombia – ETF Flows – GXG (USD mn)



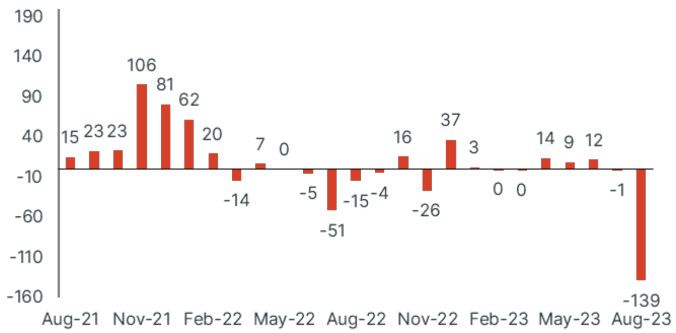
Colombia – AFPs net equity flows (mn)



Peru – ETF Flows – EPU (USD mn)



Peru – AFPs net equity flows (mn)



Changes in recommendation

		New			Old	
Company	**Country**	**Rating**	**Target Price (2024E)**	**x**	**Rating**	**Target Price (2023E)**
Aceros Arequipa	Peru	HOLD	1.19	x	UPERF	1.14
Aenza	Peru	HOLD	0.75	x	BUY	1.23
Alicorp	Chile	HOLD	7.4	x	BUY	8.2
Besalco	Chile	HOLD	510	x	BUY	500
CAP	Chile	HOLD	7,500	x	BUY	10,800
CCU	Chile	HOLD	7,400	x	BUY	7,500
Cencoshopp	Chile	BUY	1,800	x	HOLD	1,500
Cerro Verde	Peru	BUY	34.1	x	HOLD	31.5
CMPC	Chile	BUY	1,900	x	HOLD	1,850
Colbun	Chile	HOLD	145	x	UPERF	95
Concha y Toro	Chile	HOLD	1,270	x	BUY	1,250
COPEC	Chile	BUY	7,600	x	HOLD	7,400
Davivienda	Colombia	UPERF	25,000	x	HOLD	26,000
Enel Chile	Chile	UPERF	55	x	BUY	44
Engie Energia Chile	Chile	HOLD	925	x	BUY	775
Engie Energia Peru	Peru	BUY	6.02	x	HOLD	6.73
Entel	Chile	HOLD	3,600	x	BUY	4,000

Changes in recommendation

		New			Old	
Company	**Country**	**Rating**	**Target Price (2024E)**	**x**	**Rating**	**Target Price (2023E)**
Falabella	Chile	BUY	2,700	x	UR	UR
Ferreycorp	Peru	HOLD	2.73	x	BUY	2.73
Forus	Chile	HOLD	2,000	x	BUY	2,050
Grupo Aval	Colombia	UPERF	600	x	HOLD	650
Hites	Chile	HOLD	150	x	BUY	190
IFS	Peru	HOLD	30	x	BUY	30
ILC	Chile	HOLD	6,400	x	BUY	6,900
Indisa	Chile	HOLD	1,900	x	BUY	2,100
ISA	Colombia	BUY	24,000	x	HOLD	23,600
LATAM Airlines	Chile	BUY	10.5	x		
Nexa Resources	Peru	HOLD	7.36	x	BUY	8.00
Parque Arauco	Chile	BUY	1,800	x	HOLD	1,270
Quiñenco	Chile	HOLD	2,800	x	BUY	2,950
Ripley	Chile	HOLD	230	x	BUY	270
Salfacorp	Chile	BUY	530	x	HOLD	350
Santander	Chile	BUY	50	x	HOLD	45
Southern Copper	Peru	UPERF	65.4	x		
Volcan	Peru	UPERF	0.40	x	BUY	0.79

Andean Strategy Summary

	Chile	Colombia	Peru
Positives	▪ Deteriorated government's ability to push through its key reforms. ▪ Major adjustment in the economic activity took place in the 1H23. ▪ Early signs of recovery in the investment cycle. ▪ Very appealing stock market valuations (below 9x 2024 PE) ▪ Dividend yield near 9% by Dec-24 ▪ Attractive stories from a bottom-up approach.	▪ Discounted valuations with some assets trading at historic lows. Still discounted valuations ▪ Attractive dividend yields of +10% for relevant names of the index. ▪ Lower downside risks from extreme reforms. ▪ The detangling of the GEA structure which could unlock value.	▪ Less political noise. ▪ Lower inflation and possible cuts in the central bank's reference rate. ▪ Government measures to boost public and private investment. ▪ Expected recovery in corporate earnings in 2024.
Negatives	▪ China's elusive recovery post-pandemic with the corresponding negative impact on commodity prices. ▪ Recent strengthening of the USD as risk factor for anchoring mid-term inflation expectations. ▪ Low visibility on the scenario following the likely rejection of the new proposal for a new constitution in next December.	▪ Low trading volumes, low new equity issuances, and the risk of becoming a Frontier Market. ▪ Weak investment and strong deceleration of household consumption. ▪ Political uncertainty and the regulatory impacts on different sectors such as utilities, oil & gas and banks. ▪ Still high inflation and the impacts of interest rates. ▪ Strong asset quality deterioration impacting banks' financials.	▪ Weak economic indicators reported during 1H23 due to social conflicts and adverse climate events. ▪ Low levels of business confidence, though with some signs of recovery. ▪ Decline in trading volumes, with low participation of AFPs and foreign investors. ▪ High volatility in base metal prices, particularly zinc.
Factors to watch	▪ Progress on the pension fund reform which is in early stages of debate in Congress. ▪ Willingness of left-wing parties to close the door for a new constitutional process. ▪ The path of economic data in China as well as inflationary pressures in the US. ▪ Geopolitical/climate-related events impacting prices of imported products (oil, agricultural, among others).	▪ The possibility of becoming a Frontier market. ▪ The adjustment of inflation and interest rates. ▪ Regulatory changes in the NSFR (liquidity ratio) for banks. ▪ Regulatory approvals of new exploration contracts ▪ Discussion o key reforms in Congress. ▪ Results of the regional elections in Oct-23.	▪ Legislative powers requested by the executive branch. ▪ Comprehensive reform of the pension system. ▪ Impacts of the El Niño phenomenon. ▪ Slowdown of the Chinese economy and its impact on metal prices. ▪ Sale process of Enel assets in Peru.

CHILE

Overweighting 2024: Unlocking Opportunities with 9x P/E Fwd and 9% Dividend Yield.

The IPSA index posted a 14% YTD gain by August, with consumer discretionary, utilities, and consumer staples leading.

The Chilean stock market had a strong start in 2023, with the IPSA index gaining about 22% (26% in USD) until July, reaching a record high above 6,400 points. At that time, it was trading at around 10 times forward price-to-earnings (P/E) based on consensus estimates, similar to its 5-year average. This rally was driven by attractive valuations, reduced political uncertainty, and positive global equity trends, along with expectations of lower inflation and upcoming interest rate cuts. In July, average daily trading volume (ADTV) rose by 15% to USD 144 mn, surpassing the levels seen in the previous year. Foreign investors also showed increased interest, with over USD 90 mn created in ECH ETF baskets, marking the largest passive inflow since September 2022. **However, following this rally, the IPSA index experienced a 6% decline in August** due to a challenging global and regional stock market environment, lower commodity prices influenced by weak Chinese data, and a stronger US dollar.

All in all, the IPSA index posted a 14% YTD gain by August, with **consumer discretionary, utilities, and consumer staples leading**. Ripley and Falabella in consumer discretionary surged on expectations of improved performance in the coming year. Utilities benefited from better hydrological conditions, while consumer staples, including Cencosud and SMU, showed resilience. On the flip side, **industrial, energy, and materials sectors lagged**. SQM in industrials struggled due to falling lithium prices and ongoing negotiations with Codelco. The energy sector faced issues affecting pulp production, lower pulp prices, and negative impacts in its fuel business. CAP in materials saw losses due to poor results in steel-related businesses and increased mining costs.

The recent downward correction witnessed in August presents a compelling window of opportunity for strategic positioning as we look ahead to 2024.

In our view, **the recent downward correction witnessed in August (-6%), followed by persistent weakness extending into the first week of September (-2%)—**resulting in a cumulative decline equivalent to almost half of the IPSA's gains until late July—alongside lower Average Daily Trading Volume (ADTV) of just USD 80 mn so far in September, **presents a compelling window of opportunity for strategic positioning as we look ahead to 2024.** For the upcoming year, we anticipate an earnings growth of approximately 10%. Currently, with the IPSA trading at approximately 8.6x P/E by December 2024 (still significantly discounted compared to its historical levels and below our estimated fair ratio of approximately 10.3x), and offering an enticing dividend yield of 8.7%, we maintain our overweight recommendation on Chilean equities within the Andean region.

Going forward, we see room for mutual funds to continue increasing their exposure to local equities, especially under a context of decreasing interest rates, while pension fund’s positioning is still low. Foreigners are snooping around, yet liquidity is still an issue.

On the macro front, we highlight the upward revision in the pipeline investment for the next 5 years.

We are certainly positive. The adjustment of the economy continued during 2Q23 with GDP contracting by 1.1% y/y, slightly weaker than the BCCh's estimates. However, 3Q23 started on the right foot with the Jul-23 IMACEC expanding in yearly terms after five consecutive declines. The figure represented a genuine surprise, particularly in commerce, industry, and the production of other goods (including construction) and supports the view that the major adjustment in the economy took place during 1H23. Noteworthy, the total investment pipeline for the next five years has been revised to the upside by almost USD 12 bn with all the years evidencing positive revisions, particularly in mining and energy projects. Positive spillovers to other sectors of the economy are likely, according to BCCh's estimates in previous years. Consistently, we expect a modest GDP drop this year at -0.3% and an expansion of 2.3% next year.

We reiterate our inflation forecast for 2023 at 4% and MPR estimate of 8% by Dec-23 (4.75% for Dec-24)

Deceleration in inflation is on track despite recent CLP depreciation. From its peak in Aug-22, yearly headline inflation has moved from 14% to ~5% mostly explained due to the behavior of the goods component and the decline in volatile items, especially energy. In addition, cost pressures have been receding amid lower international transport fares, global value chains have been reinstated, and external prices have come down. On its part, the ex-volatiles component also exhibited a similar trend but in a more modest magnitude, moving from ~11% y/y in Sep-22 to ~7% currently. However, **recent temporary shocks linked to the CLP depreciation, the higher price of oil, and the increase in local food and transport prices are attenuating the pace of the drop. In this context, we maintain our Dec-23 inflation forecast at 4%. In any case, these temporary shocks are not changing the BCCh view that inflation convergence will take place by the 2H24.** On the monetary policy front, the BCCh is reducing interest rate uncertainty by explicitly signaling a year-end level between 7.75% and 8%. Thus, the floor of the monetary policy corridor outlined in the most recent IPoM is aligned with our expectations of a policy rate of 8% by Dec-23 and 5% by the next one.

Corruption allegations have undermined the government's ability to push forward with reforms.

On the political front, the allocation of funds to foundations associated with individuals connected to the ruling coalition parties has significantly eroded the government's capacity to advance its essential reforms. Right-wing parties have adopted a more stringent stance on matters such as pension reform, and even on a more streamlined version of the tax reform.

Regarding the former, and amid a very polarized political landscape, **the government is expected to send amendments to its pension reform bill currently being discussed in the Lower house by the end of this month, anticipating that it will be split into two initiatives**. The first stage would involve the regulations that increase the current pension amounts as it includes the creation of social insurance, the division of the industry, and an increase of the Guaranteed Minimum Pension ("PGU" by its acronym in Spanish). While the government has shown a willingness to consider allocating 4% of the proposed 6% incremental contribution to a solidarity fund (below its previous aim to allocate 100% to the latter), the opposition has insisted that the entire amount should go into individual accounts. Regarding the restructuring of the industry, the government's idea is to separate the functions performed by the AFPs (current private Pension Funds Administrators), enable the bidding of portfolios of current contributors, and establish commission charges based on AUM.

We reiterate our base scenario for a moderation of the scope of the pension fund reform, as the opposition seeks to preserve the freedom of choice between public and private managers as well as to maximize the portion going into individual accounts. Such stance is backed by several surveys indicating those preferences among most of the population. We don't expect a pension fund reform to become a reality in the medium-term.

On the other hand, concerning the now called "Fiscal pact" proposal (a scaled-down version of the tax reform rejected earlier this year), the Minister of Finance presented it by the end of July, but the debate in this front remains on hold for now.

The rejection of a second proposal for a new constitution has solidified as the most likely outcome.

Regarding the Constitutional process 2.0, the most recent weekly Cadem survey consistently signals a probable rejection of the proposal for a new Constitution, with 53% of respondents expressing their intention to vote against it, while only 26% would support it. However, it's important to note that if this outcome materializes, it could prolong the unfinished constitutional chapter, which will have lingered for four years by next December—a situation that would not bode well for the market. Nevertheless, we consider this scenario unlikely, as the public appears fatigued with the process.

Reasons for our overweight stance in Chile: i) Anticipated macro Improvements and a resurgence in investment, driven by lower interest rates. ii) Attractive valuations and dividend yield. iii) Growing interest from foreign investors, further supporting our outlook.

In summary, there are several reasons to be optimistic about Chile. Firstly, there's the potential for a recovery in investment levels, particularly in the mining sector following the resolution of royalty-related uncertainties. Secondly, institutional investors and high-net-worth individuals are showing increased interest in the local stock market, with retail investors likely to follow suit due to the attractive expected dividend yield amidst declining interest rates. This could boost market liquidity and foreign investor interest, which has been improving gradually. Thirdly, political risks are minimal. Lastly, compelling valuations and a high dividend yield add to the positive outlook.

We believe that the **main risks to our positive stance on Chilean equities are:** i) Chinese economic data continuing to reflect weak activity, which could consequently impact commodity prices and investor sentiment towards emerging markets; ii) a sustained strength of the USD; and iii) geopolitical and/or climate-related events impacting the prices of imported products (oil and agricultural products). All the factors mentioned above could have an impact on inflation convergence expectations hence over investor's view regarding the speed at which the Central Bank will adjust its monetary policy in the coming quarters. Moreover, the constitutional process, in the most likely scenario of rejection (as consistently indicated by several polls) could leave the door open for a new attempt.

Key topics to monitor

Progress on key reforms.

- **Legislative progress regarding the pension fund reform and a scale-down tax reform.**

Next December referendum for a new Constitution.

- **Next December referendum for a new Constitution.** As we approach that date, investors will likely pay more attention to this issue, particularly to the evolution of the surveys regarding the intention vote to approve or reject the proposal for a new Carta Magna (they currently indicate a win for the rejection option). We believe investors will focus on monitoring the willingness of representatives from the government coalitions parties to definitively close the constitutional chapter.

Short-law on the private health insurance system.

- **The unprecedented uncertainty stemming from Supreme Court rulings issued since the end of last year that challenge the operational and financial sustainability of the private health insurance system in Chile** ("Isapres") and all the supply chain (private healthcare service providers, among others). Regarding this matter, the new deadline set by the Supreme Court for the government to implement its resolution regarding the application of the "tabla de factores" to Isapres contributors is approaching (next November). Meanwhile, a very recent ruling that nullifies the upward adjustment to the GES premium adds even more pressure to Isapres just amid the discussion to legislate a short law in Congress.

Corporate events.

- **The capital increase at BCI in 4Q23.** The bank still needs to announce the price of the capital increase. BCI should improve the CET 1 ratio to a figure close to 10.7%.
- **The expiration of the FCIC in 1Q24 and 2Q24 and the effect on the balance sheet structure of each bank and the impact on margins.**
- **Negative credit watch in Falabella's bonds.** It is likely that we will see some announcements from Falabella regarding relevant asset sales or strategic changes in order not to lose the investment grade, which we believe will act as a catalyst for the shares.
- **Appointment of new Falabella CEO.**
- **Evolution of the consumption environment and macro trends,** which may signal if the turning point in retailers will eventually come in 4Q23 or 1Q24.
- **Eventual LATAM Airlines ADR re-listing.** This key milestone appears to be only a matter of time.
- **News on the eventual execution of the Sucuriu project in Brazil by Arauco (2.5 million tons pulp mill).** During the 2Q23 results conference call, COPEC´s management indicated that it is expected the BoD will decide on such initiative by the end of 2024.

Corporate events.

- **The evolution of Chile´s hydrology** including El Niño, precipitation and specially ice water forecasts from Chile´s system coordinator.

- **News on the negotiations between SQM and Codelco** with respect to the ownership and exploitation of the Salar de Atacama lithium resource.

- **Potential announcements of further divestitures by Enel Americas** of assets in Argentina, Brazil and/or Peru as part of its corporate simplification process.

- **Appointment of new Enel Americas CEO.**

- **Chilean Beverages.** An eventual tax increase for alcoholic and sugar-sweetened beverages based on alcohol and sugar content instead of the current ad-valorem system. Low-priced wines and spirits would be the most affected due to their low excise tax measured as CLP per alcohol content.

- **Sale of fiber optic assets by Entel.**

- **The transaction involving Sonda's data centers.**

- **AMSA's decision to execute the Centinela project,** whose investment would significantly increase the backlogs of construction sector companies.

Macro and Politics in Argentina amid the upcoming presidential elections.

- **The political and macroeconomic situation in Argentina**. Local investors are monitoring it closely and trying to minimize or avoid its exposure to that country given the upcoming presidential elections to be held on October 22nd amid a mounting debt-crisis, the risks associated to the future of its local currency and the consequent weakening in consumer demand. We highlight that Argentina contributed with a relevant percentage of the EBITDA in 2022 for CCU (~28%), Andina (~26%) and Cencosud (~22%).

Corporate Earnings

In 2023, corporate profits are expected to post a drop of ~37% y/y in CLP terms.

In 2023, the IPSA index is expected to see a 37% decrease in recurring earnings, primarily due to significant profit declines in Vapores and Quiñenco, driven by lower container shipping rates. Excluding these companies, IPSA members are still projected to experience a 25% decline in earnings. The pulp and paper industry is also facing a steep drop in profits, over 60%, mainly due to plummeting pulp prices, lower sales volumes, and margin normalization in COPEC's liquid fuels distribution business. The banking sector's earnings are anticipated to fall by about 20% due to reduced revenues and slightly increased provisions expenses. In the mining sector, a 37% decline in profits is forecasted, with CAP expected to report losses primarily because of its steel division's poor performance, ongoing weaknesses in steel processing, and higher-than-expected cash costs for CMP (iron ore). The retail sector has been significantly impacted by a sharp consumption slowdown, leading to a 30% earnings contraction, driven by high inflation, currency fluctuations, increased personnel expenses, and elevated inventory levels.

All the negative figures mentioned above will be partially offset by an increase of nearly 17% in the recurring results of the electric utilities sector (measured in CLP) thanks to a substantial improvement in hydrological conditions in Chile. It is worth to mention that our expectation of 37% decrease in earnings for the IPSA considers that y/y change in recurring earnings. For shopping malls, we forecast mid-single digit growth in recurrent earnings boosted by high inflation-adjusted-revenues. As Mallplaza is now accounting its investment properties at fair value, instead of using the historical cost method, the company will book a large non-cash gain which means that the sector will report a y/y rise in net profits over 40% (non-adjusted). For beverages names we forecast a 7% growth in earnings mainly due to price actions and lower direct costs (packaging, in particular). If we exclude Concha y Toro, which is facing an elusive recovery in volumes and whose results could decline near 35%, CCU and Andina's earnings will increase over 20% this year. Meanwhile, the Telecom sector, represented by Entel, is expected to post slightly higher earnings (5%) after adjusting for various factors, including the sale of data centers and anticipated profits from the sale of its fiber optic business later in the year.

Looking ahead to 2024, we project a 10% y/y growth in recurring earnings for the IPSA members led by retailers, beverages, Pulp & Paper, and Mining.

In 2024, we anticipate a year-on-year increase of 10% in recurring earnings. This projection excludes one-off events related to asset sales taking place between 2023 and 2024 by Enel Américas and Entel. **The expected growth will be led by the retail sector, with an impressive gain of approximately 42%.** This surge is attributed to a broader macroeconomic recovery, particularly in discretionary categories, driven by factors such as lower inflation, reduced interest rates, more stable local currencies, and decreased import tariffs. Companies are also implementing cost-cutting measures in 2023, which will enhance EBITDA, particularly for those linked to discretionary businesses.

Additionally, **the beverages sector is poised for solid earnings growth, with an estimated 27% increase across the board**. Concha y Toro is expected to outperform, with a 44% growth, benefiting from a lower cost of goods sold (COGS) and mid-single-digit sales volume recovery. Andina and CCU are also projected to achieve healthy profit growth (26% and 22%, respectively) driven by sales volume expansion, margin improvement for Andina, and a more favorable operating margin trajectory for CCU.

In the Pulp & Paper sector, a 17% growth in earnings is forecasted, primarily attributed to COPEC. This recovery is driven by Arauco's higher pulp production and lower unitary costs following several unscheduled mill stoppages in the previous year. CMPC, on the other hand, is expected to have flat EBITDA but lower earnings due to increased non-operating losses.

The mining sector is expected to rebound, with a 13% earnings growth for SQM, thanks to higher lithium volumes and improved lithium segment margins due to a lower royalty rate. CAP is projected to return to positive numbers, albeit modestly, as challenges within the steel industry persist.

In the telecom sector, a 10% increase in recurring earnings is anticipated, driven by a more favorable macroeconomic environment for data and services demand, improved operating margins due to efficiency plans, and reduced financial costs resulting from lower interest rates.

Conversely, **the banking sector is anticipated to record flat earnings**, with Banco Santander standing out with a notable 40% increase in its results, largely attributable to its heightened sensitivity to lower interest rates. However, Banco de Chile's results are expected to continue normalizing, showing a decline of 17% year-on-year.

In the shopping mall sector, we foresee a relatively stable net income performance, primarily influenced by a 12% decline in profits for Mallplaza, factoring in a more conservative asset revaluation compared to 2023. Excluding this effect, the sector is poised for earnings growth of around 8%, driven by an approximately 5% increase in revenue due to improved traffic, occupancy rates, and an inflation rate nearing 4% by year-end. EBITDA margins are expected to remain relatively steady, while companies will report reduced indexation unit losses.

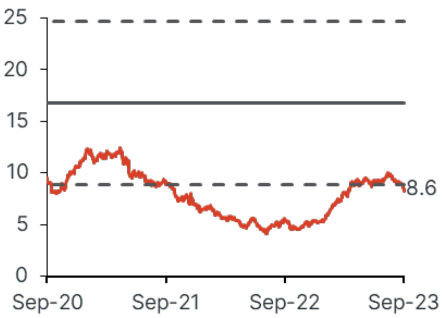
The sole sector for which we expect a drop in recurring earnings is electric utilities. We see a retracement of -5% y/y in USD next year (~8% in CLP) on more normalized hydrology and weaker gas commercialization activity by Enel Chile will more than offset earnings growth from the ramp-up of new renewables plants.

Market valuations

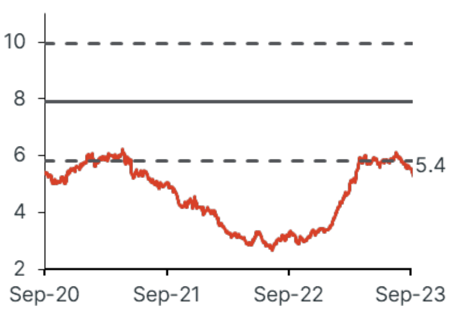
Chilean equity sample is trading at 12m Fwd. P/E and EV/EBITDA of 8.6x and 5.4x, respectively.

The recent downward correction in the market, which has continued into early September, presents an enticing entry opportunity for investors looking forward to 2024. **With valuations currently at 8.6x P/E and approximately 5.4x EV/EBITDA projected for December 2024, these levels are notably discounted compared to historical averages**. These multiples not only fall below its fair value estimate based on our valuation models for the sample of companies under coverage (representing 98% of the IPSA's weight) but also looking at the current level of the 10-year sovereign bond yield (BCP-10) and the spread at which the stock market has historically traded in terms of Fwd P/E. **Additionally, the market's dividend yield, approaching 9%, offers an appealing prospect, especially in light of the expected trajectory of the monetary policy rate over the next 12-15 months.**

P/E Forward (12m rolling)



EV/EBITDA Forward (12m rolling)



Sources: Refinitiv, Company Reports and Credicorp Capital

Target IPSA

Our Dec-24 target for the IPSA is 7,000 points with an implicit P/E of 10.3x, and an expected total return of ~28%

Based on a bottom-up approach, which considers the target prices for the companies under our coverage (~98% of the index weight), we estimate that the IPSA could reach ~7,200 points. On the other hand, based on a top-down perspective (Fair P/E and Fair Earnings yield gap models), we estimate a fair value of ~6,700 points. Our Fair PE model considers a risk-free rate in line with the current 10-year nominal interest rate in CLP (BCP-10: ~5.8%), an ERP of 6%, and a LT growth of 4.8% (LT ROE of ~12%; dividend payout of 60%). The Fair Earnings yield gap model assumes that the market should trade at a spread between the inverse of the P/E ratio and the 10-year sovereign bond mentioned above in line with its historical average over the last 10 years (~350bps).

All in, our blended target price for the IPSA by Dec-24 (equal weight for the bottom-up and top-down calculations) is 7,000 points (upside: +19%). Considering the dividends forecasted by Dec-24 (cumulative dividend yield of ~8.7%), the IPSA offers an expected total return of ~28%.

Equity Strategy

The ongoing downward correction has opened a window of opportunity for positioning in Chilean equities looking ahead to 2024.

Going forward, the ongoing downward correction (-8%) equivalent to almost half of what the IPSA had gained until late July amid lower market activity, is opening an appealing window of opportunity for positioning looking ahead to 2024, a year for which we now expect a growth in recurring earnings of ~10%. With the IPSA trading at ~8.6x P/E by Dec-24 at the time of writing (below our estimated fair ratio of ~10.3x) and offering a dividend yield of ~8.7%, we reiterate our overweight call on Chilean equities within the Andean region.

We believe there are significant mid-term catalysts for the Chilean market. Firstly, there's the potential for a rebound in investment levels, as evidenced by positive early indicators in the mining sector following the resolution of royalty-related uncertainties. Secondly, institutional investors remain interested, and high-net-worth individuals are increasingly looking to bolster their presence in local equities. Additionally, we anticipate that retail investors will become more actively involved in the stock market as they recognize the attractive dividend yield offered by Chilean stocks amid ongoing interest rate declines. This has the potential to enhance market liquidity and attract greater participation from foreign investors.

SMU, LATAM Airlines and COPEC are our Top picks.

In our sector allocation, we favor certain areas: consumer discretionary, particularly Falabella, where we anticipate a strong earnings rebound next year; supermarkets, especially SMU, while we exercise caution with Cencosud due to Argentina-related uncertainties; **and Pulp & Paper**, as we see signs that the worst may be behind us in terms of pulp prices, with a more balanced market expected by 2025. We also have a **positive view on transport, particularly LATAM Airlines**, thanks to its post-Chapter 11 financial health and improved cost structure, along with its strong presence in Brazil. In contrast, we maintain a neutral stance on utilities, with a slight preference for Colbun; beverages, to avoid Argentina exposure; banks, with Santander as our top choice over other Chilean banks; and shopping malls, where Cencosud Shopping is our preferred option.

All in, our Top Picks are SMU, LATAM Airlines and COPEC.

The strong coverage ratios have compensated the nigher need of provision expenses.

Regarding banks, there are several trends that should drive the industry's financial results going forward. We expect the income coming from inflation to return to normal levels as the monthly UF inflation now stands close to 0.0% compared to figures above 1.0% in large part of 2022. In fact, as of Jul-23, the NII coming from inflation decreased 49% y/y on a YTD basis, while the total NII contracted 4.8% y/y also on a YTD basis. On the positive side, we should observe relevant decreases in the cost of funding considering the decreases in interest rates coming from the CB (100-bps rate cut in July). In addition, we need to pay attention to the effects of the expiration of the FCIC in the first half of 2024 on the funding structure of each company and on the evolution of margins.

On the other hand, the NPL ratio should continue normalizing after all the liquidity programs granted to households in recent years. In the last couple of months, the total NPL ratio already reached pre-pandemic figures of NPLS. However, the normalization of asset quality indicators should not necessarily translate into higher provision expenses as banks maintain healthy figures of coverage ratios (~190% at the industry level), when including the additional provisions.

Banco de Chile continues to be the most resilient bank under the current context.

Under this scenario, we believe that Banco de Chile should continue to outperform peers in terms of profitability figures, although we believe that the positive performance is already priced-in. With the recovery story and the recent decrease in the share price, we see a better opportunity in Banco Santander. We highlight that BCI has some challenges in the short-term beyond the completion of the capital increase, in which we believe there will be no surprises and we assume a successful completion of the process by 4Q23. Finally, Itaú is between two words as the operations in Chile report adequate figures of ROAE, while the operations in Colombia face relevant risks and should continue to underperform in the rest of 2023 and beginning of 2024.

Positive earnings outlook for utilities in 2H23 seems fairly price in.

In the utilities sector, Chilean power gencos have seen an excellent performance so far this year. We think this has been justified by an improved earnings outlook on a benign panorama for Chilean hydrology given greater rainfall levels in key basins, solid reservoir levels and meteorologists forecasting a greater than 95% probability of a continuation of El Niño conditions through the northern hemisphere's Winter. Better hydrology twinned with lower international fuel prices and solid progress on construction of new renewables capacity has supported the shares' performance, as has a generally more favorable macro-political backdrop for regulated industries. Indeed Jul/Aug-23 hydro output data and the system coordinator's most recent ice water forecast point to very strong 2H23 results. The trouble is this already appears priced in, according to our appraisal. As a result, we are neutral to underweight the Chile electric utilities and think the sector could be vulnerable if the high expectations for hydroelectric generation volumes do not play out in 4Q23. In this scenario, Colbun should outperform its peers given its long position in the spot energy market.

As to Aguas/A, we think the shares should remain relatively rangebound; a weaker 2Q23 report likely reduced hopes for a further re-rating due to higher earnings expectations and we see the shares already trading above their last five-year average, which fairly reflects the more amenable backdrop for regulated utilities in Chile at the moment (falling rates + lower risk of harmful reforms). Finally, in Enel Americas, we think investors will tend to wait-and-see with respect to the equity story following the completion of the corporate simplification process.

Weak Lithium sentiment and uncertainty on the Salar de Atacama operations to weigh on SQM

For SQM, we remain neutral as we think despite discounted valuations (EV/24 EBITDA <4.0x) and a very attractive dividend yield (~13% next 12 months) will not be enough to entice investors into the name yet. Downward earnings revisions following disappointing 2Q23 results and amid relatively despondent lithium sentiment will continue to weigh on the shares. Moreover, we do not have a high conviction that SQM and Codelco will reach an agreement before the end of this year on jointly operating the Salar de Atacama resource. If that does happen, it could be a positive catalyst to drive a re-rating of the shares.

We anticipate the turning point in discretionary retailers should come near the 1Q24. We see some medium-term catalysts in Falabella, while Ripley is an interesting play for 2024.

We continue favoring SMU and Cencosud on the back of strong resilience amid still challenged macro scenario.

Seeking for the inflection point in discretionary retailers. 2Q23 results were as harsh as anticipated, and it is no surprise that the 3Q23 should be no different. The market is now trying to figure out when will the inflection point come for discretionary retailers with the aim of anticipating the recovery. Our models are incorporating that the actual turning point should come towards the 1Q24, as the 2H23 should remain strongly impacted by a weak consumption environment across the board and still high cost of risk in the financial business, despite some lowered pressure at the SG&A level due to the easing of inflation and FX levels. Based on the upcoming recovery and considering current discounts seen at the share price levels, we believe that the market will look for opportunities in these names towards year-end. On this front, we believe that Falabella emerges as an appealing play, as we see certain additional short-term catalysts. The negative credit watch issued by S&P on the company's bonds last week implies that Falabella will need to present a concrete action plan in the next 90 days to reduce leverage and avoid losing its investment grade, which we consider to be a significant catalyst for the stock. Certain recent announcements, such as changes at the board and top management level and the decision to close the Fpay business signal that these shift in strategic focus will come sooner than later. Ripley is another play that we like for 2024, though the latest quarterly results demonstrated that the recovery should me slower than anticipated; therefore, we prefer to closely monitor for a better entry point. Forus is a story that we like, though valuation seems tighter when compared to peers. Hites is missing catalysts, while liquidity should continue to be an issue. On the other hand, we continue to bet on consumer staples companies, SMU and Cencosud, as we believe resiliency should continue to be in the picture, while valuations still imply an appealing entry point, which is something that we like amid an uncertain context for discretionary consumption.

Shopping mall's results should remain resilient, supporting share price levels. Having said this, we see the sector as a medium-term call. Favoring Parque Arauco and Cencoshopp.

Shopping malls' results should remain resilient. Favoring a flight-to-quality approach. After the downward correction seen in malls' share prices during the past month, we believe the entry point seems appealing, especially in Cencoshopp and Parque Arauco (-6.8% and -3.6% 1M return, respectively vs -0.8% in Mallplaza). Fwd Cap Rates are currently in the 9-9.5% range (compared to a 7% historical average), implying a ~320-380 bps spread versus the nominal 10Y sovereign bond yield (vs a ~300-bp historical average). Having said this, we believe this is more of a medium-to-long-term call, as we believe that catalysts are lacking in the short run. While the Central Bank decided to cut the benchmark rate by 75bps in the latest meeting, the market read that the CB had a more cautious view about the inflation prospects ahead compared to the previous meeting; therefore, we do not expect any surprises in the pace of the rate cuts going forward, reaching the 8% level by year-end. We believe this scenario is already priced in and therefore, should not act as a relevant catalyst for shares unless we see a surprise in future rate cuts. Looking into the medium run, we believe catalysts should primarily come from the performance in results, which we believe should remain resilient on the back of inflation levels that are still favoring top line, occupancy rate and traffic increases, and GLA expansion plans going forward. We maintain our relative preference for Cencoshopp and Parque Arauco as we believe that a "flight-to-quality" approach should result in outperforming results for the upcoming years on the back of their attractive tenant mix and strong exposure to Tier 1 assets, whose ability to attract flows should remain solid. Moreover, we see a better entry point in Cencoshopp and Parque Arauco on the back of 9.5% and 9% Cap Rates, while Mallplaza is trading at 8.9%.

Incrementally positive on Pulp & Paper names on better market dynamics starting from the 2H24.

We are incrementally positive on the Pulp & Paper sector as the worst for pulp prices may be behind us. After reaching their lowest levels in China in last May, hardwood pulp had risen over USD50 to ~USD 530/t in August and very recent news indicate that another hike of USD20/t would have been implemented successfully this month as Chinese imports remain strong taking advantage of low prices and availability of large volumes associated to a weakening demand in Europe and the US as well as increased supply from new pulp mills located in Chile and Uruguay. High cost integrated and semi-integrated producers in China are procuring more of their pulp needs from the market rather than producing it themselves. Meanwhile softwood has stabilized at USD 660-670/t on the back of supply disruptions in Canada yet the upcoming commissioning of a new mill in Finland. While we do not expect further gains in the coming months due to a still weak end-consumer demand across geographies except China, pulp prices could post a more sustainable recovery starting from late 2024 due to a tighter S/D balance leading into the year 2025 as result of the absence of projects in construction stage with start-up scheduled beyond next year. Initiatives sponsored by new entrants have failed to secure financing. In that context, we are positive on both COPEC and CMPC. For the former, we estimate that the 2Q23 would have been the bottom in terms of EBITDA generation.

We expect COPEC to exhibit one of the highest EBITDA and earnings growth next year among the IPSA members thanks to a gradual recovery in pulp production on the back of a much less disruptive period in terms of unscheduled mills stoppages and a ramp-up process for Arauco Line #3 (Mapa project) that, by the beginning of next year, should allow it to reach near full operation (pulp production will increase ~25% next year) with the corresponding fixed costs dilution. However, while an eventual decision to go ahead with a pulp mill project in Brazil by the end of 2024 would be positive for the company as it would settle Arauco's pending task of not having presence in Brazil as pulp producer, it could be viewed by investors with some caution given the high capital requirements required to execute that initiative. Regarding CMPC we like its higher sensitivity to pulp prices (EBITDA fluctuates +/- 2.5-3% for every USD 10/t change) given our more positive view on market pulp by the end of next year thanks to more balanced S/D dynamics into 2025. On the other hand, the tissue business is reaching a larger scale in key markets such as Brazil and Mexico with a 2Q23 posting a significant improvement in its margins and contribution to consolidated results.

Short-term preference for COPEC over CMPC.

All in all, we have a short-term preference for COPEC over CMPC because the upcoming quarters will exhibit a sharp sequential recovery in results, while in 2024 they are going to show a very appealing growth almost regardless of a recovery in pulp prices (+25% y/y in EBITDA assuming almost flat pulp prices compared 2023), while the stock trade at an EV/EBITDA ratio whose gap vs CMPC is well below its history. However, we favor CMPC over COPEC for a long-term horizon due to its significant presence in Brazil (~40% of non-current assets), its stronger balance sheet and lower capex needs by next year after having completed several inorganic growth initiatives and with the Guaiba project in its final stages of construction, and lastly but not least thanks to the improved profitability of its tissue business given its larger scale post an active period of inorganic growth.

The positive impact of lower commodity prices is likely to gradually lose momentum. Lack of catalysts heading into 2024.

Chilean Beverages. The short-term outlook appears less sanguine for Chilean-based beverages companies due to a stronger USD, slowdown in consumption growth in key markets abroad, such as Brazil and specially in Argentina, along with increased macroeconomic and political risks associated with the latter, while the narrative of lower input costs mainly related to packaging will be behind us next year. Net/net, we are embracing a somewhat more cautious stance on the sector amid a lack of short-term catalysts across the board for beverages ex wine and long-term challenges for wine producers. Broadly speaking, we are still anticipating a scenario like the one described in our latest sector report for the coming quarters, where Andina is marked by resilience in volumes and margins, CCU showing double-digit growth at EBITDA due to the delay in implementing prices hikes last year and lower cost pressures that are expected to last well into this year, Embonor pricing the increased macro-risk in Bolivia (which has eased temporarily for now), and Concha y Toro facing a more elusive than expected recovery in sales volume as well as structural challenges related to changes in consumer patterns. However, more recent developments are overshadowing the landscape. First, the upward evolution of sugar prices and weakness observed in local currencies that may partially counteract the positive effects related to lower packaging costs.

Second, the relevant exposure of CCU and Andina businesses to Argentina (they represented ~28% and ~26% of consolidated EBITDA in 2022) making their operations quite susceptible to the political and macro evolution of the country, although impact on valuations is more limited, in our view, since that country represents only 4-5% of our estimated enterprise value for CCU and Andina. Third, the eventual new corrective tax that is being evaluated by the government on alcohol and sugar-sweetened beverages, which, in our view, could affect lower value wines and spirits to a greater extent due to the relatively low excise tax measured in CLP per alcohol content. All in all, we have a relative preference for Andina as it is the sole beverage player that currently trades with the largest discount versus its Latam peers (high double-digit gap), phenomenon we are not seeing for the other local beverage players.

For Telecoms we project modest profit gains with asset sales as catalysts.

For the telecommunications sector, we are projecting modest organic double-digit profit growth, excluding one-time effects such as Entel's sale of fiber optics (which we anticipate will be completed by year-end) and the consolidation of Multicaja in the case of Sonda. This is due to our expectations of reduced pressure on operational costs and a decrease in interest rates, which will help lower financial costs. Concerning Entel, we anticipate margin improvements thanks to their efficiency plans, which have successfully reduced costs in the last quarter. However, we expect a small revenue rebound due to contracted demand, likely to persist next year. This has been reflected in stagnant customer base growth, reduced ARPU, and a significant drop in equipment sales. It's worth noting that Entel is embarking on a cycle of high investments, which we believe will put pressure on cash flow over the next 3-4 years. As for Sonda, we have observed increased competition and contracted demand, which has eroded contract margins, particularly in the South Cone region. This implies that revenue growth next year will be lower than previous years, and we won't see the margin improvements we had hoped for some time ago. In both cases, the short-term catalyst would be asset sales. In both cases, Sonda would partially divest from the colocation business, and Entel would sell its fiber optic asset by the end of the year.

Positive results expected for the E&C sector. Salfacorp preferred over Besalco.

Regarding the Engineering and construction sector, we expect companies to normalize their results after a solid year. Nevertheless, results will continue to be positive, even above pre-pandemic levels. Prospects for investment have been improving, and there are specific projects that could be executed next year, significantly boosting these companies' profits. In the real estate sector, we anticipate that demand will remain weak during the year's first half. Companies have adjusted their offerings to reduce the standing inventory, which has increased due to reduced demand. We expect another factor driving profits to be the reduction in interest rates, which will decrease the financial costs of companies and improve non-operational results. Furthermore, the normalization of mortgage interest rates next year will gradually boost demand throughout the year. We favor Salfacorp over Besalco due to its more discounted valuations, exposure to the mining segment, and the expectation that the reduction in financial costs will boost its profits, given its higher leverage.

Top Picks

Strong growth prospects, resilient margin levels and discounted valuations lead us to pick SMU as one of our favorite names in the Chilean market.

SMU (BUY; TP: CLP 240/share). Shares have posted outstanding behavior over the past year, which we believe should continue based on several factors: i) The company's 30% exposure to the discount formats and "high low" strategic positioning in the Unimarc banner, should continue to strongly drive traffic to stores; ii) The company has been working on several initiatives in order to increase cost efficiencies (increase of its private label penetration, automatization processes at the store and at the DCs and personal restructuring plans), which have successfully driven margins towards 9% levels. Under a conservative scenario, we are assuming that the company will be able to maintain these levels, though we do not discard positive surprises in the upcoming years; iii) They have an aggressive Capex plan in place for 2023-2025, with the opening of 58 stores (distributed across banners) and the remodeling of other 78 stores, which should help the company to post above-inflation growth in the upcoming years while increasing fixed cost dilution, which should also help to maintain EBITDA margin target levels. We believe all these factors explain why the market has remained quite excited about the name. Finally, we continue to see discounted valuations at 6.5x EV/EBITDA levels, a ~15% discount when compared to historical multiples, while quarterly dividend distributions should continue act as a short-term catalyst for the name. We have a CLP 250 target price, which implies a strong 52% upside for the stock, above all peers on our retail sample.

Attractive entry point on still discounted valuations, a stronger balance sheet and a more competitive cost structure vs Brazilian peers, potential reduction in its cost of debt and renewed interest from investors across the board.

LATAM Airlines (BUY; T.P.: CLP 10.5/share). We are including LATAM Airlines as top pick. After emerging from Chapter 11, the company has successfully reestablished and strengthened its financial and operational position. This has led to a more robust balance sheet and a more competitive cost structure, providing it a competitive advantage over its competitors in the Brazilian domestic market (its largest source of revenue; ~30% of total), which are currently in a weaker financial position. Additionally, the positive dynamics in the airline industry, driven by a global recovery in tourism demand, the JV with Delta, and an agreement with a South African airline to connect Brazil with other destinations in Africa create opportunities for the company to continue regaining ground in the international passenger traffic (currently 20% below pre-pandemic levels). Looking forward, the company is likely to reduce its cost of capital as it plans to explore refinancing a costly unsecured bank debt by the end of 2024. All in, and despite its significant rally over the year, we believe that current share price offers an attractive entry point because valuations remain discounted versus its pre-pandemic EV/EBITDA multiples (35-40% discount. Finally, and from a market standpoint, we see a renewed interest from local investors on the name (yet still tepid as pension funds remain underweight). Foreigners are snooping around as LTM is now on their radar (stock liquidity has increased sharply in recent months). Recently, FTSE announced that LTM will be included in its global equity indices. A likely ADRs re-listing will also boost the stock's visibility.

We expect a remarkable growth delivery in EBITDA in 2024 (+25%), regardless of any recovery in pulp prices.

COPEC (BUY; T.P.: CLP 7,600/share) is one of our top picks. In our view, the 2Q23 would have been the bottom in terms of EBITDA generation. Going forward, we estimate a gradual recovery in the contribution of its forestry business mainly attributed to higher pulp production as several unscheduled mills stoppage are left behind and with Arauco's line 3 (MAPA) in a ramp-up process, which, by early next year, is expected to reach near full operation. As pulp production is expected to grow at an interannual average growth rate of ~50% in the coming four quarters (~+1mt y/y in 2024; ~25%), the company will benefit from a dilution of fixed costs and MAPA's lower cash costs, in addition to a scenario with a more depreciated CLP and more stable pulp prices. On the other hand, it is worth noting the sequential improvement in margins of the wood products segment in the 2Q after three consecutive quarters of contractions. We are estimating for the latter a stabilized EBITDA at ~USD 550mn/year levels in the 2023-2024 period. Regarding the fuel division, we expect EBITDA will stabilize at ~USD 1.1bn/year on more normalized margins for the liquid fuel distribution business following a record high of ~USD 1.35bn in 2022 boosted by inventory revaluation gains and very favorable industrial margins. LPG distribution business is on track to reach an EBITDA/ton in line with what was observed in 2021 and a total EBITDA at peak levels. In summary, and on a consolidated basis, we expect the company to deliver a remarkable growth in EBITDA next year (+25%) regardless of any recovery in pulp prices as we assume almost flat pulp prices compared 2023 average. All in, we believe the good earnings outlook for 2024 and the share´s lag versus other IPSA members should make the stock back to the investors radar.

Chile – Top Picks

	Last	Target		Total	Mkt.	P/E		FV/EBITDA		P/BV	Div Yield	
	Price	Price	Upside	Return	(USD mn)	2023E	2024E	2023E	2024E	LTM	2024E	Sectors
SMU	165	240	45.6%	52.3%	1,068	10.3	8.3	6.6	6.4	1.2	6.8%	Retail
LATAM Airlines	8.4	10.5	24.9%	28.2%	5,696	9.1	10.6	4.2	3.8	21.9	3.3%	Transport
Empresas COPEC	5,931	7,600	28.1%	31.3%	8,649	16.4	10.6	8.2	6.6	0.7	3.1%	Pulp & Paper
Chilean Picks [a]			32.9%	37.3%	15,413	11.9	9.8	6.3	5.6	7.9	4.4%	
IPSA	5,879	7,000	19.1%	26.5%	114,264	13.2	9.5	6.9	5.9	1.1	7.5%	
IPSA ex Vapores						13.3	9.3					

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

COLOMBIA

We are turning cautious on Colombia once again

The MSCI COLCAP is significantly below the MSCI LatAm on a YTD basis.

During 2023, the MSCI COLCAP Index, has underperformed the LatAm region (+0.27% vs. +11.8% from the MSCI LatAm, both in USD terms). Analyzing the year-to-date results, the top winners (in COP terms) have been BVC (+28.85% YTD), Nutresa (+15.6% YTD) and Mineros (+1.14% YTD). On the other hand, the top losers this year have been PF Davivienda (-33.85% YTD), Bancolombia (-32.9% YTD) and Banco de Bogota (-27.5% YTD). Regarding volumes, the low-level trend has continued to be an issue. During 2023, ADTV reached USD 13.02 mn, and it reached USD 11.41 mn in August, representing a decline of 28.9% y/y but an increase on a monthly basis (+19% m/m). Regarding market players, foreign investors have continued to be on the buy side of the market, with net purchases of ~USD 20.3 mn YTD, while pension funds have posted a net selling position of ~USD 70.6 mn YTD.

Liquidity conditions are at the center of attention in Colombia.

The drops in liquidity seen during the last few years have led to noise about a potential reclassification of Colombia from an emerging market to a frontier market. Indeed, while in 2013 there were 16 Colombian stocks in the MSCI EM Index, the exit of Ecopetrol from the index has left Colombia with only three constituents in the index this year. We believe there is a high degree of uncertainty on whether Colombia should be reclassified, and we highlight that MSCI has not announced any consultation on the matter. Furthermore, we consider that the potential inclusion of Exito in the index once its float has reached ~53% with the listing of ADRs and BDRs during the last month could also be a game changer for the market in terms of names.

Going forward, we expect a high volatility in the market amid high political uncertainty and illiquidity. Indeed, we expect the market to react to statements in the fronts of: i) regulation for utilities, ii) new exploration contracts, iii) pension and healthcare results, and iv) the classification of Colombia as EM, while we highlight that even though we are seeing historically low prices in Colombia, we do not see short term catalysts beyond Cementos Argos and Exito (see next page), related to our expectation of ongoing political uncertainty. That said, we note that some investors might see attractive entry points for dividend capture strategies, with a +10% dividend yield from the MSCI Colcap Index.

Investment behavior is a factor of increasing concern. All eyes are on the BanRep's next moves and regional elections.

On the macro front, as expected, the Colombian economy is under an adjustment process led by private consumption after the impressive and unsustainable growth rates observed in the previous two years. That said, **total investment has shown a concerning behavior so far this year as it has fallen at the fastest pace since the domestic financial crisis of 1999** (excluding the pandemic period). While private investment has been affected by factors such as higher interest rates and taxes, undoubtedly heightened political and regulatory uncertainty has played a non-negligible role. For its part, public investment has also been below expectations. We expect GDP to grow 1.3% this year with public spending as the main engine, while both private consumption and investment will recover gradually amid expected lower inflation and interest rates.

For 2024, we maintain a 2.2% projection, but risks seem to be skewed to the downside mainly due to significant challenges to investment. Annual inflation has accumulated five months of reduction the monthly surprise in Aug-23 leads us to make a significant adjustment in our year end estimate.

We increased our inflation forecast recently from 8.4% to 9.0%.

We increased our inflation forecast from 8.4% to 9.0% while recent upward surprises in inflation will surely push for a new adjustment in the market's inflation expectations, a fact that materially reduces the margin for the monetary authority to initiate the cycle of cuts in the policy rate. Although we believe that the possibility of a downward adjustment in the repo rate in Oct-23 is still on the table, we prefer to maintain a conservative stance by assigning a higher probability to a 75-bp cut in Dec-23. The El Niño event and policy decisions are further risks to this view. Although the MoF has pledged its commitment to fiscal responsibility, public finances will continue to be a major source of concern in the next few years amid ambitious (and historic) planned public spending and high uncertainty on some income sources. On the FX side, still high global and domestic uncertainty leads us to maintain our USDCOP 4,300 estimate for Dec-23.

Petro's popularity loss has led to a lower likelihood of extreme scenarios.

On the political front, negative scenarios of significant policy changes seem to be more bounded. Institutions are functioning, as evidenced by the slow progress of the health and pension reforms in Congress as well as the reboot of the labor reform, the suspension of the decree to intervene in utility sector regulation by the State Council and the announcement of the Constitutional Court that it will be able to immediately suspend laws approved by Congress that are clearly unconstitutional. Furthermore, President Petro seems to be going through tough times related to the following issues: i) 61% of the Colombian population in disagreement with the government proposals, ii) recent scandals involving persons very close to him, iii) complicated discussions of the main reform proposals of the government in a context in which the government does not have a majority in Congress after President Petro broke the coalition back in Apr-23 precisely due to the difficulty in securing the approval of his main proposals in Congress, iv) high inflation, v) an increasing perception of insecurity in several regions and vi) regional elections at the end of Oct-23. Accordingly, we believe that the markets are granting a higher probability to the scenario in which the most sensitive reforms are watered down or even not approved at all and contemplating a scenario in which President Petro has reduced ability to call the population to massive demonstrations in support of his proposals.

In summary, we believe the market should continue facing challenges during 2024 coming from political uncertainty and low liquidity, which should be a hurdle for outperformance in Latam, despite historically low prices

Key events in the last few months

Cemargos announced the long-awaited transaction in the USA, and we believe its completions should be a positive catalyst for the name.

Cementos Argos announced that it will combine its operations in the USA with Summit Materials to consolidate a platform for construction materials causing a positive ~30% the day of the announcement (see report). The transaction is expected to close in 1H24 once approvals are granted. According to the company's statement, Cemargos will become the largest shareholder of Summit Materials with a 31% stake in the combined company which should have in 30 states in the US, a pro-forma revenue of more that USD 4 bn and a pro forma EBITDA of USD 1 bn. Cementos Argos will also receive USD 1.2 bn in cash with an implied 2023E EV/EBITDA of 10x for Cemargos USA (vs. a current valuation of 5.5x). Overall, we believe the recent transaction is a catalyst for the name and should lead to a re-rating and an improvement in terms of leverage.

The GEA – Gilinski transaction should be key for the Colombian market in the mid term.

We believe the detangling of the GEA structure could be key for the Colombian market (see report), possibly resulting in value generation for shareholders who are seeking more simplified structures. Once the transaction is carried out, Nugil and JGDB will own at least 87% of Nutresa, while Nutresa will cease to be a shareholder of Grupo Argos and Grupo Sura. Regarding the effects on Grupo Argos, we prefer to wait until the transaction is more advanced to have more visibility on the impact and be more constructive on the name. Additionally, we would also like to see the evolution dividends paid and received, considering cash needs from Grupo Sura and the exit of Nutresa form the group.

We still see Exito as an attractive bet, even more so when considering its potential inclusion to the MSCI Colcap Index.

Éxito successfully completed its spin-off from GPA. To unlock value amid a stretched financial situation, in September 2022, GPA announced the spin-off of its Colombian operation, which was completed on August 23rd, 2023. The transaction consisted of the distribution of 83% of Exito's shares to GPA investors through BDRs and ADRs, resulting in a significant change in its corporate structure. GPA and Casino now own 13% and 34% stakes, respectively (from the previous ~97% stake), while the free float for Exito shares increased from ~3.5% to ~53%. Initially, the free float was allocated as follows: ~73% BDRs, ~6.6% BVC, and ~20% ADRs. However, the company guaranteed 30 commission-free days for passing from one stock market to the other (until October 2nd, 2023. In early August, GPA and Casino announced a shareholders agreement, to ensure the continuation of Casino's control over Éxito (both companies together have a 47% stake in Éxito's shares), which encompasses certain provisions such as agreements for Board members and CFO selections, dividend payments and priority rights when any of them decides to sell a stake. Since the day of the spin-off (August 23rd), Éxito shares have suffered somewhat of a free fall, with a negative performance of -32%. Despite the fact that investors seem to like Éxito's fundamental story, we see great concerns in the market about the fact that Casino will continue to control the company. Having said this, everything has its price, and Exito shares are a certain bargain (EV/EBITDA 2024E of 3.5x, a ~40% discount when compared to historical multiples). Volatility should continue until October 2nd, but we reiterate our view that from a medium-term perspective, this is an interesting story, especially considering that Éxito should be included in the COLCAP Index, with a weight of ~4%, implying inflows of USD 50 mn, which should be an interesting catalyst for the stock.

Key topics to monitor

The performance of the banking sector, any news on reforms from the government, developments on the GEA transactions, developments on energy regulation and MSCI (both COLCAP and Colombia) Index changes should be key for the local market.

- Evolution of the payment behavior of clients and the behavior of new vintages to anticipate a change in the cycle of asset quality indicators for the banking sector.
- The pace of interest rate cuts in the upcoming months to better assess the effects on the margins of banking institutions and the effect on loan demand for 2024.
- Regulatory changes to the implementation of the NFSR for banks in Colombia as it could shift the need for long-term deposit rates and alleviate short-term funding pressures.
- The advances in the healthcare and pension reforms in Congress.
- Advances in the tender offer for Nutresa by GEA.
- Advances on the integration of Argos USA and Summit.
- Further announcements from Grupo Bolívar related to its intention to dispose of the covered securities of SUAM.
- Ecopetrol's management changes and the 2040 strategy implications.
- Potential issuance of new exploration licenses in the hydrocarbons sector as well as the potential issuance of a new reserves balance report from the ANH including gas offshore resources.
- Caribe offshore drilling developments and Ecopetrol's gas pipeline licensing process.
- Further advances in the settling of FEPC deficit obligations.
- Continuation of the local fuel price adjustment path.
- Potential changes in ISA's management.
- A possible public services reform project presented by the national government.
- Potential regulatory measures regarding the energy spot price mechanism.
- Appointment of definitive CREG expert commissioners.
- Evolution of the liquidity position of energy commercializers.
- Environmental and social licensing processes for renewable energy projects in the La Guajira region.
- Potential inclusion of Exito in the MSCI Colcap Index.
- Developments on Colombia's classification among emerging markets.

Corporate earnings

The O&G sector should be a drag on earnings in 2024E, while banks should start their recovery cycle.

Regarding earnings, we foresee a mild recovery 2024E after a very tough 2023E, with the utilities segment continuing to support earnings and the banking sector starting its recovery path. Indeed, we expect an earnings drop of ~31% y/y for 2023E and highlight that we saw a ~50% y/y drop in earnings in 2Q23. After these drops, we expect a 5% y/y increase in earnings for 2024E in our sample, with Ecopetrol being the drag for the year as we foresee a ~17% y/y increase in earnings when excluding the oil company. Despite the regulatory noise, the utilities segment is the most resilient in the market. We expect a ~12% y/y increase in earnings for 2023E and a ~18% increase for 2024E. In the case of banks, we expect a ~20% y/y increase in earnings from the banking sector after a ~33% earnings drop in 2023E. Finally, we expect a ~8% y/y earnings drop for the O&G sector, mostly due to financial operational leverage.

Banks should start recovering in 2024 with the cost of risk expected to peak in 2023.

Regarding banks, we expect a recovery in 2024 of ~20% y/y after the strong contraction of ~33% y/y that we expect for 2023. The recovery should be mostly explained by a lower need for provision expenses as we believe that the peak in NPLs and provision expenses was reached between 2Q23 and 3Q23. Recall that all banks materially increased their cost of risk guidance during their last conference calls, pressuring the bottom line and the profitability ratios estimated for 2023. In any case, it is worth noting that 2024 will be a transition year for credit risk metrics as we still incorporate a higher need for provisions when compared to the long-term target of the companies. The cycle of asset quality indicators should continue to have an impact at the beginning of next year. As a result, we expect a 21% y/y increase in earnings in 2025, driven by a further normalization of provision expenses. The decrease in interest rates and the normalization of inflation should have a positive effect on the payment behavior of clients and on the NIM of almost all banks under our coverage, explaining part of the rebound in earnings next year. That said, we reiterate that the short term will continue to be highly challenging for the banking industry.

We expect drops in the O&G sector driven by financial and operating leverage and a positive momentum for utilities due to the addition of new projects.

Regarding the O&G sector's earnings, we see net income down by ~8%. We see a stable behavior of the Brent benchmark, which is placed at USD 83/bl for 2024, flattish when compared to 2024 and sustained by a tighter oil market following the OPEC+ supply-side cut measures but with some downside risks from the demand side, being cautious about a strong recovery, specifically in China's economy. However, we believe that cost inflation in the upstream as well as financial leverage should lead to a ~8% drop in earnings for the segment. Regarding the utilities sector's earnings, we expect growth of ~18% y/y in net income primarily led by the addition of new projects, especially in the energy transmission segment, and an expected easing in financial expenses following the lower indexation effects explained by the inflation reduction in the region.

The conglomerates sector should have mixed results with key changes for GEA names and the end of the construction stage of 4G hitting Corficol.

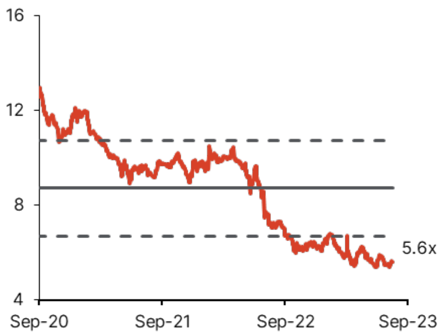
In the conglomerates sector, our least favorite holding company is Grupo Sura (UPERF; TP: COP 30,200/sh) due to its weak ROEs and regulatory risks across the region. Indeed, we continue to see risks for the asset management business with pension reform noise in Colombia and Chile and for the healthcare business. We acknowledge that earnings momentum is positive (+34.5% y/y for 2024E), supported by an improvement in earnings in SUAM (+18.3% y/y), which now consolidates Protección, but we believe investors will wait for sounder profitability measures. Regarding Corficolombiana (HOLD; TP: COP 18,500/sh), we see deteriorating earnings momentum for the name in 2024. Despite discounted valuations and steady cash flows, Corficolombiana's equity story for 2024 is cloudy. Corficolombiana's earnings should decrease by 11.0% y/y due to: i) lower construction activity as 4G projects conclude, ii) the amortization of the intangible concession asset for Coviandandina and iii) a tough comparison base related to earnings boosted by inflation in 2023. In the case of Grupo Argos (HOLD; TP: COP 11,600/sh), we continue to see value in the name as we believe its 50% stake in the investment vehicle for road infrastructure and airports with MacQuarie should be a value generator. Additionally, we foresee positive earnings momentum in 2023 (+52.5% y/y) followed by a relatively stable trend in 2024 (+3.0% y/y) explained by the increase in the portfolio and cement segments. As for Cemargos (BUY; TP: COP 6,200/sh), we expect the company to post an increase in earnings of 63.5% y/y in 2023 followed by relative stability in 2024 (+2.8% y/y), explained by stronger operational results and lower taxes, despite an expected increase in financial expenses of 35.5% y/y.

Market valuations

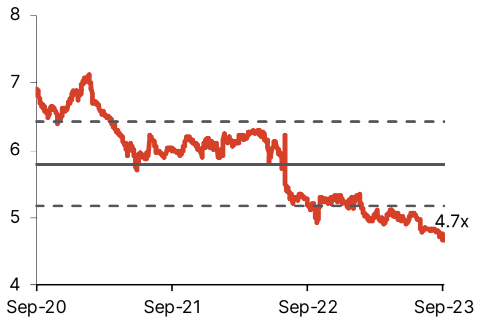
Colombia is trading at 5.6x P/E and 4.7x EV/EBITDA 12 m fw. Despite the discounted valuations, we do not see this as a short-term catalyst.

Our Colombian sample is trading at 5.6x P/E 12m forward and 4.7x EV/EBITDA. Hence, the sample is trading below 1SD in terms of EBITDA and below the average (but above 1SD) in terms of earnings. Even though we recognize the sample is at historically low multiples, we believe this is partly explained by: i) weak earnings momentum, with ROE for the MSCI Colcap Index reaching ~13.5% during 2024, ii) a high cost of capital, with our estimate for Ke at 14.3% and iii) political uncertainty. Indeed, we estimate a fair P/E for Colombia of around 6.9x in 2024. From a qualitative perspective, this reflects the uncertain scenario we are seeing in the short term due to: i) government proposals, ii) inflation and iii) economic deceleration and iv) low liquidity, with ADTV around USD 10 mn.

P/E Forward (12m rolling)



EV/EBITDA Forward (12m rolling)



Sources: Refinitiv, Company Reports and Credicorp Capital

MSCI Colcap Target

We are introducing our 2024E 1,385 target for the MSCI Colcap Index, with a 30% upside and a 10% dividend yield.

We are introducing our 2024E target of 1,385 points for the MSCI Colcap Index, which implies a ~30% upside, while we also see a ~10% dividend yield for the market. This is based on a top-down analysis (60% weight) and a bottom-up approach (40% weight). We are giving more weight to our top-down estimation considering the uncertainty in the short term that may prevent a value unlock. Our top-down analysis suggests a ~25% upside while our bottom-up approach suggests a ~35% upside. We see the highest upside for ISA and PfBAncolombia. On the other hand, we see the lowest upside for Grupo Sura. Higher dividend yields are the result of low valuations despite our 31.1% expected drop in earnings for 2023, and we highlight greater than 10% dividend yields for the less liquid preferred shares (PfCemargos, PfGruposura and PfGrupoargos) and Ecopetrol.

Equity Strategy

2024 should be bumpy for Colombia amid weak earnings momentum and political uncertainty.

We see a bumpy short term for Colombia. Even though we believe recent political developments point to a more limited downside for the market, we also do not see any short-term catalysts for the market. Investors should be cautious in Colombia in the short term due to: i) low liquidity in the local market with concerns about a potential reclassification of Colombia from emerging market to frontier market according to MSCI, ii) weak earnings momentum with 5.4% earnings growth for 2024E and a 31.4% y/y earnings drop for 2023E and iii) uncertainties in terms of policy and regulation considering the heavy agenda of the government. That said, we highlight the discounted valuations (considering ongoing regulation and conditions) in the banking and O&G sectors. Despite the challenging scenario for the banking industry, we continue to favor Bancolombia as our Top Pick as it should continue to outperform key competitors in terms of net profits and profitability. We are also including Cemargos as a Top Pick due to our expectation of the listing of the US assets, which should be a positive catalyst.

The short term seems challenging for banks relates to an expected peak in NPLs.

Regarding banks, we are cautious on the overall performance of the sector for the next few quarters. We have seen a material increase in the need for provision expenses after all banks experienced significant increases in NPL ratios, especially in consumer NPL ratios. The economic deceleration, high inflation and high interest rates continue to take a toll on the payment behavior of clients. Bancolombia reported a cost of risk (CoR) of 3.1% and a consumer NPL of 4.2% in 2Q23. Likewise, Davivienda registered a 4.3% CoR and a consumer NPL of 5.5%, the highest among peers. Finally, Grupo Aval reported a CoR of 2.2% and a consumer NPL of 3.1%. As a result, all banks adjusted their profitability figures for 2023 to the downside.

Bancolombia stands out as it has managed to navigate this high cost of risk scenario through higher margins.

Even though we expect the peak in provision expenses and NPL ratios between 2Q23 and 3Q23, we expect to see a higher need for provisions, above historical figures, still impacting results at the beginning of next year. This supports our negative view on Davivienda and Grupo Aval, which also suffer from pressures in margins, while we remain positive on Bancolombia despite the short-term challenges. Bancolombia has compensated for the significant increase in provision expenses with expansion in margins to a figure close to 7.0%, well above the figures of peers, supported by a competitive advantage in the funding cost. Bancolombia has more than 80% of the total funding sources in deposits (50% from saving and checking accounts), allowing the bank to maintain a lower cost of funding when compared to local peers. With the decrease in interest rates, we expect a gradual normalization of NIM and financial results, though Bancolombia should continue to outperform peers in terms of ROAE in 2023 and 2024. Therefore, Bancolombia remains our Top Pick in the banking sector.

We acknowledge that all banks present discounted valuations trading close to 0.5x P/BV 2024E, but we do not see a clear catalyst for most of them in the short term. We prefer to wait for better trends in risks metrics to be more optimistic on the banking sector in Colombia.

Recent OPEC+ cuts support greater than 80 USD/barrel prices in the short term.

In the O&G sector, although the Brent benchmark has had retracements of 9% YTD and 25% y/y in 1H23 (averaging USD 80/bl), prices have experienced a notable recovery following the OPEC+ production cut measures, placing both references (WTI and Brent) above USD 80/bl, which we believe should continue benefiting crude producers for the next year. In this context, we think a tighter oil market could be perceived in 2H23 and 2024 driven by the OPEC+ cut measures extension until the end of 2024 made in Jun-23 and the additional 1 mn b/d and 300,000 b/d voluntary supply reduction announcements until the end of 2023 from Saudi Arabia and Russia, respectively, as well as the lower registered crude inventories in the US. In addition to the supply-side concerns, expectations of stronger demand coming from non-OECD Asia, especially China's economy, could also contribute to generating support levels for the price of this commodity going forward, in our view.

We still expect Ecopetrol to be attractive for 2024 due to its ~12% dividend yield.

Under this scenario, despite the peak levels reached in 2022 and the expected normalization of its results**, Ecopetrol (HOLD; TP: COP 2,800/share; USD 12.4 ADR) should continue to benefit from the relatively higher oil prices allowing the company to generate healthy operating cash flows and a still attractive 2024E dividend yield (~12%).** Having said this, we believe the recent changes in the company's management (appointing a new CEO and CFO as well as some new vice presidents) could bring a relative degree of uncertainty for the market in terms of the potential implications on the 2040 strategy, especially with respect to capital allocation decisions.

The debate on new exploration contracts continues.

We think further details regarding the national government's stance on the national hydrocarbon policy and specifically on the potential issuance of new exploration licenses should be catalysts for O&G names. Despite the National Hydrocarbons Agency (ANH) agreement project proposals to stimulate exploratory activity in the country with the existing contracts, we still believe that decisions led by the new Minister of Mines and Energy could mostly dictate the appetite for the sector, especially when considering the 7.5 and 7.2 average years for the national crude and gas reserves, respectively, according to ANH's most recent Reserves and Contingent Resources report. In this context, we believe investors will be monitoring announcements/advancements regarding the national government's request to prepare a new reserves balance report in order to include the gas offshore potential in the country and subsequent implications for the national hydrocarbons policy.

We highlight the advances in Ecopetrol's offshore gas activity.

We highlight the advancements shown by Ecopetrol in its Caribe offshore portfolio as it has announced the drilling of the Orca Norte-1 well by no later than Mar-24, which will potentially contribute to the company's and nation's reserves balance. That said, the construction process of the gas pipeline to connect these resources with the Chuchupa field could be subject to possible delays given the licensing process with the local communities in the northern region of Colombia. Given the above, we believe key updates regarding this matter could determine the company's production plans for 2024.

We consider the advances in the netting of FEPC to be positive for Ecopetol.

Regarding the fuel price stabilization fund (FEPC) deficit balance, **we believe the latest medium-term fiscal framework presented by the national government in Jun-23 as well as the continuation of the local fuel price adjustment policy path should positively impact Ecopetrol's balance sheet,** reflecting the government's commitment to settling the FEPC deficit in 2024. We highlight the advances achieved in this matter with a ~COP 8.4 tn payment from the Ministry of Finance to the company in Jul-23 settling the obligations corresponding to 2Q22. In addition, we highlight that further advances on this front to address the obligations belonging to 3Q22 and part of 4Q22 by no later than December 31st, 2023, as was proposed in the Mar-23 shareholders' meeting, could be well received, in our view.

We have mixed feelings on utilities with regulatory noise but sound fundamentals, earnings momentum and addition of new projects.

Regarding utilities in Colombia, we expect our covered names to continue benefiting from the addition of new projects in the region and the increasing long-term energy demand. Nevertheless, certain risks related to the regulatory framework and potential impacts from the upcoming El Niño phenomenon on Colombia's energy system could lead to a wait-and-see stance on the sector. On the regulatory front, the Colombian State Council reaffirmed the temporary suspension of Decree 0227 which had allowed President Petro to re-assume regulatory functions undertaken by the energy (CREG) and water (CRA) regulators in Colombia, partly motivated by the energy tariff increases, especially in the Caribbean region. That said, recent announcements coming from President Petro expressing his intention to present a public services reform project in 2H23 could bring back uncertainty for utility companies, also considering the likely El Niño phenomenon. Indeed, we have seen greater-than-expected hydrology levels, contributing to placing the national reservoir levels mostly above 80% of their useful capacity, which should be positive for energy generators in the country. That said, we have also seen a higher thermal generation amid expectations of the El Niño effects for the coming year. Hence, the increase in local energy spot prices together with a weak liquidity position in some energy merchandizers could pose pressures for the national energy system looking ahead. Hence, we believe the current scenario could set the grounds for adjustments to how energy spot prices are determined. Finally, the potential appointment of the definitive expert commissioners in the CREG is a key topic to monitor going forward as they could contribute to adding uncertainty to the regulatory framework stability debate.

We see significant challenges for the construction sector and no clear local catalysts.

Regarding the construction sector in Colombia, we believe it will face challenges in the near term in a context of: i) high interest rates, ii) a deteriorating housing market with sales falling 51.4% y/y in Jul-23 YTD, iii) a downturn in construction licenses with licensed square meters falling 26.4% y/y in Jun-23 YTD, iii) public investment disappointing with civil works contracting by 16% y/y in 1H23, currently standing at the lowest level since 2010 and iv) no considerable progress or advances in terms of civil works projects. Although we predict a gradual recovery of investment in the upcoming quarters amid the expectation of lower interest rates and an acceleration in the execution of public projects, lower political and regulatory uncertainty is a necessary factor for this view to materialize, in our opinion. Indeed, we believe that the decision to freeze 4G toll road rates until 2024 and changing the conditions of the social-interest housing subsidy continues to weigh on the market.

We highlight that the government has proposed initiatives to revitalize the sector, with a focus on increasing budget allocations for housing subsidies. Indeed, the newly appointed president of Findeter has secured a COP 1 tn credit line for social housing (VIS), offering favorable interest rates and potential debt substitution. Our favorite pick in the cement and construction sector is Cementos Argos as it is discounted when factoring in its presence in the USA and has lower exposure to risks in Colombia (23% of revenue for 2023E).

Regulatory and media noises are key for the conglomerates

When looking at the conglomerates, we believe Corficolombiana and Grupo Argos have been affected by noise in local media during the last few weeks amid pronunciations from the government regarding the RDS2 process and lands. Indeed, we believe that the heated political arena should continue to weigh on the names. In the case of Grupo Sura, we continue to see risks for the asset management business with pension and healthcare reform noise in Colombia. We highlight the heated speech around the healthcare business and its profitability in Colombia, with a heavier cost structure for healthcare providers in the last few months.

Given all of the above our Top Picks in Colombia are PfBancolombia and Cemargos.

Top Picks

We continue to like Bancolombia explained by its attractive NIM and more attractive funding when compared to peers.

PFBANCOLOMBIA (BUY; TP: COP 38,500/share). The bank should continue to outperform peers in terms of net profits and profitability during 2023 and 2024, even when considering the normalization of financial results. We are incorporating ROAEs of 15.5% in 2023 and of 14.0% in 2024. The better results should continue to be explained by the strong NIM, which is above historical standards, as Bancolombia was the most benefited institution of the cycle of interest rates. The better results along with a discounted valuation of 0.6x P/BV and 4.7x P/E 2024E support our BUY recommendation. Even though we expect some pressures coming from a higher need for provision expenses, Bancolombia should compensate for this with a still strong NIM well above historical standards. We anticipate a NIM of 7.0% in 2023 and a NIM of 6.5% in 2024, supporting the higher ROAE figures when compared to peers. Finally, we highlight that Bancolombia continues to have a competitive advantage in the funding structure as deposits represent 86% of funding sources, compared to ~75% for its peers.

Cementos Argos is our favorite pick related to the business combination in the USA as a near-term catalyst.

CEMENTOS ARGOS (BUY; TP: COP 6,200/share). It is our favorite name in the cement and construction sector related to the business combination in the USA as a near-term catalyst (see report). We highlight that the name seems currently discounted when factoring in the company's geographic presence in the USA (~57% of revenue in 2023E) and when considering its EBITDA breakdown (~55% of EBITDA in 2023E). Indeed, Cementos Argos has been trading at multiples of 5.5x EV/EBITDA 2024E, which is even lower that the average of LatAm peers in our sample (~6.0x). We believe the higher trading multiples in the USA is explained by a stronger currency and a steadier market with fewer threats from imports and higher liquidity. Overall, the recent transaction announced with Summit Materials is a catalyst for the name and will lead to a re-rating and an improvement in terms of leverage.

Colombia – Top Picks

	Price	Price	Upside	Return	(USD mn)	2023E	2024E	2023E	2024E	LTM	2024E	Sector
Bancolombia	25.530	38.500	50,8%	64,5%	6.512	4,0	4,3	nm	nm	0,7	13,7%	Banks
Cemargos	4.105	6.200	51,0%	59,2%	1.339	24,3	23,7	5,3	5,5	0,6	8,2%	Cement & Construction
Colombian Picks [a]			**50,9%**	**61,9%**	**7.851**	**14,2**	**14,0**	**5,3**	**5,5**	**0,6**	**0,1**	
COLCAP	**1.063**	**1.440**	**35,5%**	**44,5%**	**55.006**	**6,5**	**5,5**	**4,8**	**4,7**	**0,9**	**9,0%**	

[a] Simple average, excluding Market Capitalization

Source: Company Reports, Bloomberg and Credicorp Capital

PERU

Shifting tides: From political risks to El Niño uncertainty

The Peruvian market registers an attractive return compared to its peers in the region, despite the challenges due to the El Niño phenomenon and a low trading volume.

Through the first week of September, the Peruvian market registered a performance slightly above the average of its peers in the region, in USD terms (+11% for the S&P/BVL General Index vs. +10% for the MSCI LATAM index). This result came in a context of lower political tensions after Boluarte assumed the presidency of the country following the failed coup attempt by former President Castillo in December of last year. In addition to this, the market found support in relevant corporate events, such as the proposed purchase of Enel Distribución by China Southern Power Grid at an attractive valuation multiple, as well as the buyback programs of shares of some companies such as Ferreycorp and Unacem. Likewise, although the level of activity in the BVL has decreased significantly, with an average traded volume of USD 7 mn, 37% lower than last year's figure, the AFPs have maintained a more neutral position compared to the selling position that they had for several months last year due to the sixth withdrawal of pension funds approved by Congress. These factors offset to some extent the lower profits in various companies, particularly in more cyclical sectors such as mining (especially Volcan and Nexa) and construction, in contrast with other more defensive sectors such as public services and retail, whose results continued to show good resilience.

The electricity sector and some mining companies linked to copper, tin and gold lead the year's gains, while the construction sector reports the worst performance amid weak economic data.

By sector, electricity and mining were the ones that advanced the most in the year (+44% and +22% in USD, respectively). The electricity sector was driven by the purchase offer for Enel Distribución, the announcement of the intention to sell Enel Generación by its parent company and the relatively good financial results reported in 1H23. In the mining sector, Southern Copper, Minsur and Buenaventura have emerged as some of the most profitable stocks. This is occurring against the backdrop of favorable medium-term outlooks for copper and tin prices, coupled with the elevated prices of gold. Volcan and Nexa, which are more exposed to zinc, followed an opposite trend. On the other hand, the financial, consumption and construction sectors registered performances below the general index (+5%, +3% and -6%, respectively), affected in part by the slowdown of the economy, which was reflected in lower profits, particularly in the construction sector. The retail sector was the exception as it continued to show good resilience.

Going forward, we do not rule out some profit-taking in the short term, particularly considering a possible position of caution from investors amid greater volatility in the price of metals due to unfavorable data from the Chinese economy, weak indicators of the local economy and uncertainty regarding the occurrence of a possible strong El Niño phenomenon. Likewise, the AFPs could maintain a neutral position, waiting for Congress to approve a comprehensive reform of the pension system and to clarify whether it will approve new withdrawals.

Possible catalysts to monitor in the short term are the following: i) potential low intensity of the El Niño phenomenon, ii) effectiveness of the government in boosting public investment and promoting a recovery of private investment, along with a less restrictive monetary policy, iii) adequate reform of the pension system with market criteria, iv) successful sale of Enel's assets in Peru and v) recovery in the price of copper in line with the good prospects for the metal in the long term.

Economic activity declined 0.5% y/y in 1H23. We expect GDP to close the year with growth of 0.6%, below the 1.1% figure expected by the government.

A recovery of the economy is expected in 2H23, but it will be subject to the intensity of the El Niño phenomenon. The protests that took place at the beginning of the year, together with extreme rains in that period and then higher-than-usual temperature levels, affected the economy in the first half of the year (GDP -0.5% y/y). In this context, the sectors that registered the worst performance were fishing (-31.7%), construction (-9.0%), financial and insurance (-7.7%) and manufacturing (-6.1%). These events overshadowed the good dynamism of the mining sector (+9.8%), which was mainly due to the ramp-up of the Quellaveco copper project, and the accommodation and restaurant sector (+5.3%), as well as the resilience of the electricity, gas and water (+5.2%), other services (+4.1%) and commerce (+2.7%) sectors. Going forward, to close the year with growth of 1.1% as the Ministry of Economy and Finance now expects, above our forecast of +0.6%, the economy will need to grow ~2.3% during 2H23, which could happen considering: i) the gradual recovery of business confidence in a more stable sociopolitical environment, ii) a certain improvement in the purchasing power of households due to the gradual reduction of inflation and iii) the continuation of the recovery of the sectors most affected by the pandemic. However, in any case, it will be necessary to monitor the possible occurrence of a severe El Niño phenomenon, the effectiveness of prevention activities to deal with said phenomenon and the impact of the economic stimulus measures announced by the government.

Headline and core inflation have been decreasing this year, which will allow the central bank to reduce its reference rate in the upcoming months.

Core inflation will continue to approach 3% by the end of the year. In Aug-23, headline inflation fell to 5.6%, its lowest level in 23 months. Likewise, core inflation declined to 3.8% y/y, its lowest level in 19 months. In Aug-23, 57% of inflation was explained by the increase in the food and beverages group, the transport category explained 33%, and the restaurants and hotels group explained 19%. We expect the general CPI to continue its gradual decline to close to 4.0% y/y by year-end, while core inflation will approach 3% (also reflecting weak domestic demand). Since the beginning of the year, we have argued that the BCRP would cut its benchmark rate by 100 bps in 2023. However, Governor Julio Velarde recently said that the central bank will be prudent and not rush to lower the rate (at 7.75% until Aug-23), suggesting that the rate cut may take longer to arrive and be more gradual.

Political noise has subsided, though the government and Congress have low approval ratings. After the failed coup attempt by former President Castillo in Dec-22 and the subsequent constitutional succession by then Vice President Boluarte, the level of confrontation between the government and Congress has decreased significantly, which seems to be an implicit agreement between the two institutions to continue their respective mandates until 2026. Thus, the debate about possible early elections is not on the agenda of Congress, despite the request of some groups that carried out protests in Jul-23 in various parts of the country, though they had less impact than the protests in the first two months of the year.

Political noise has decreased, with a lower probability of radical changes to the economic model. However, the government and Congress have low approval ratings, which could eventually motivate some populist proposals.

The better relationship between the government and Congress is also partly explained by the more technical profile of the ministers appointed by President Boluarte, which has resulted in few complaints from Congress about them or their policies. Likewise, the probability of proposals for radical changes to the economic model by the government has decreased; on the contrary, a greater promotion of private investment has been observed, particularly in infrastructure and mining.

However, both the government and Congress have low approval ratings (14% and 10%, respectively, according to the Ipsos poll in Aug-23), which could motivate some populist proposals, particularly by Congress, such as new withdrawals from pension funds. On the positive side, the population's concerns about the lack of security and the fight against corruption have had a response from the government, which has presented some initiatives to Congress to provide some immediate solutions, including a request for legislative powers. Moreover, President Boluarte has proposed some political reforms aimed at strengthening democracy through better representativeness of members of Congress and a possible return to bicameralism in Congress.

In summary, the market will face challenges in the short term coming from the external front, such as the weakness of China's economy, and the internal front, such as the uncertainty regarding the El Niño phenomenon and the proposals to reform the pension system. However, reduced political noise, a more favorable government stance towards private investment, high gold prices and favorable prospects for the price of copper should be reflected in a progressive improvement in corporate results, which should continue to provide support to the market.

Key topics to monitor

Key topics to monitor: i) macro and political trends, ii) the evaluation in Congress of a comprehensive reform proposal for the pension system, iii) the evolution of asset quality indicators in the financial sector, iv) the sale of Enel's assets in Peru, v) Engie's increase in production capacity, vi) Buenaventura's increase in production, vii) the proposed spin-off of the Volcan's port business and viii) Aenza's capital increase decision.

- **Economic outlook:** i) The impact of government measures to boost the economy, ii) the possible occurrence of a strong El Niño phenomenon and iii) metal prices amid signs of economic slowdown in the US and China.

- **Political environment:** i) The possible restart of talks in Congress to hold early elections, ii) proposals for political reform to strengthen democracy and iii) the relationship between the executive branch and Congress, including the possible delegation of temporary powers to the executive branch to legislate on security and economic issues.

- **Market events:** The evaluation in Congress of a comprehensive reform proposal for the pension system. The latest proposal approved by the Economic Commission establishes that contributors to the public system have individual capitalization accounts and are able to migrate to the private system, and vice versa; it includes the possibility that other financial entities can participate in the pension system, with a fixed commission to cover the fixed costs, plus a variable commission linked to profitability, and establishes the obligation to contribute for all those of legal age, with supplementary contribution schemes from the government and a minimum amount of pension.

- **Financial sector:** The evolution of asset quality indicators considering: i) the deterioration of Reactiva loans, ii) the increase in the NPL ratio of the consumer segment and iii) the potential effects coming from the El Niño phenomenon.

- **Enel Distribución Perú:** The approvals from the National Institute for the Defense of Competition and the Protection of Intellectual Property (Indecopi) and the Chinese authorities responsible for matters of foreign direct investment of the purchase agreement for China Southern Power Grid to buy Enel Distribución Perú.

- **Enel Generación Perú:** i) The potential upcoming sale announcement in line with Enel Américas's strategy of exiting Peru and ii) updates regarding the proposal of the Board of Directors of a capital increase by partial capitalization of the legal reserve of PEN 305 mn so that the share capital of PEN 2,829 mn will increase to PEN 3,134 mn (305 mn new common shares with PEN 1 per share nominal value will be issued, which will be delivered to the shareholders of the company in proportion to their participation in the company).

- **Engie Peru:** The upcoming commercial operational date for the Punta Lomitas wind plant extension (36.4 MW).

- **Buenaventura:** i) Updates regarding the authorization to initiate mining activities in the Yumpag project (expected in 4Q23) and the permits to start processing and commercial activities (expected in 4Q23 or 1Q24) and ii) updates regarding the permit for the power line construction in the San Gabriel project (expected in 4Q23), CAPEX execution and advancements (delayed since 2022).

- **Volcan:** i) Updates regarding the spin-off of the port business approved in the last shareholders meeting, ii) updates regarding the offtake agreement for Romina's construction and the sale of the electric and cement businesses and iii) Glencore's update on its decision to sell its stake in Volcan.

- **Aenza:** A general shareholders meeting will be carried out in Oct-23 regarding the proposal of the capital increase. It will be important to learn about: i) the fixed amount of capital increase to be offered, ii) the number of shares to be created and iii) the subscription price of the new shares. Additionally, we are expecting further updates on the refinancing of the bridge loan and further information on how the company will finance the fine related to its civil repair.

Corporate earnings

We expect a drop of 8% in the earnings of our sample of companies this year and then a recovery of 26% in 2024. The volatility in the expected earnings is mainly explained by the mining, food and financial sectors.

In 2023, we expect earnings to decline 8% y/y in USD terms, with a net margin of 12.6% (-113 bps). This result will be largely explained by a poor performance of the mining sector, which should show a 11% drop in profits because of lower base metal prices, particularly zinc prices, production affected by the social conflicts at the beginning of the year and the impacts of heavy rains, as well as the persistent inflation in costs. In fact, if we exclude companies from the mining sector from our BVL sample, profits for the year would show 3% growth. Likewise, we expect a negative performance for Alicorp (-39%) and IFS (-20%) this year, mainly reflecting the slowdown in the economy, as well as a new increase in the costs of some inputs to manufacture food. Companies linked to the construction sector (excluding Aenza) will register an average drop of 11%, in line with the weakness of the real estate sector, as well as lower private investment, despite the boost that the government has been giving to public investment. On the other hand, companies more linked to basic consumption, such as InRetail (+31%) and electricity service companies (+11%), will register the best performances in our BVL sample, reflecting their resilient business model.

Looking at 2024, earnings should grow 26%, with a net margin of 14.9% (+227 bps). The increase in profits will be driven by the mining sector (+29%), in a context of a gradual recovery in the prices of industrial metals, as well as increased production thanks to the ramp-up and start-up of some projects. In addition, we believe that food and financial companies will be able to reverse this year's poor performance amid a more favorable economic environment and focused strategies to improve their profit margins. Thus, the companies linked to consumption and finance will jointly register an advance in profits of 28%. Finally, the electric utility sector will continue its good performance, with growth in profits of 12%, while companies related to construction will post a recovery of 6%.

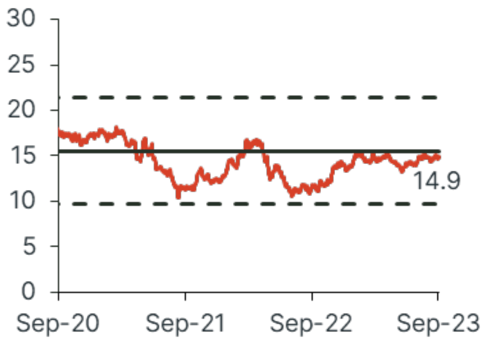
In any case, the most important risk to our projections is the occurrence of a strong El Niño phenomenon, which would have negative impacts in the short term on: i) the consumption of less essential goods, ii) the financial sector (especially companies with the greatest exposure to the small business segment, iii) the construction sector (until reconstruction activities are developed), iv) some mining operations (which may suffer direct or indirect damage due to possible heavy rains, mainly in the north and center of the country) and v) some electricity companies (particularly those that need to buy in the spot market at prices that could be quite high in the event of possible temporary negative effects on the energy matrix).

Market valuations

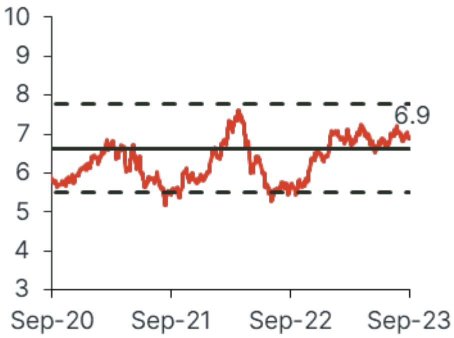
The 12m Fwd P/E and EV/EBITDA of our Peruvian equity sample are at levels similar to their five-year averages.

Despite the positive performance registered by the Peruvian market to date (~7% in PEN and ~11% in USD), the 12m Fwd P/E and EV/EBITDA of our equity sample are at levels similar to their five-year averages (15.5x and 6.6x, respectively). This situation reflects a cautious stance from investors due to: i) the uncertainty regarding the intensity of the El Niño phenomenon towards the end of the year, ii) the weak economic data for the first half of the year, iii) low trading volumes, caused partly by the lower activity of the AFPs given the uncertainty regarding the reform of the pension system and new withdrawals that Congress may authorize and iv) the signs of economic slowdown in China and their impact on the prices of metals. As these factors dissipate, we believe that the market could trade at higher multiples, in anticipation of better financial results, in line with our forecasts, especially towards the middle of next year. It should be noted that if we exclude Southern Copper and Buenaventura, considering their high weight in the general index and their relatively high valuations in terms of the 12m Fwd P/E ratio, the ratio for our sample drops to 10.1x, 21% below its five-year average (12.9x).

P/E Forward (12m rolling)



EV/EBITDA Forward (12m rolling)



Sources: Bloomberg, Company Reports and Credicorp Capital

S&P/BVL General Index target

We are introducing our 2024E S&P/BVL General Index target of 25,540 points, which implies a total return of ~17%, with a ~5% dividend yield.

We are introducing our 2024E S&P/BVL General Index target of 25,540 points, which implies a total return of ~17%. We set our target based on our bottom-up analysis, which is composed of a 12% capital appreciation and 5% dividend yield. Our target for the index is similar to its previous high reached in Mar-22 and is supported mainly by the expectation of a corporate results recovery in 2024 after the potential negative impacts of the El Niño phenomenon subside. The stocks with the highest upsides are in the consumer, financial and public services sectors, such as InRetail, IFS and Engie, while stocks with potential setbacks or lower upsides are Southern Copper, Volcan and Aceros Arequipa. The higher 2024 dividend yields are in the mining sector, public services sector and some companies linked to construction, such as Minsur, Cerro Verde, Enel Generación, Ferreycorp and Pacasmayo.

Equity strategy

We maintain a defensive strategy for the coming months in anticipation of an eventual strong El Niño phenomenon, with a greater preference for companies with resilient business models, solid financial positions and good medium-term growth prospects.

Our top picks are InRetail, Engie and Buenaventura.

Going forward, we do not rule out some short-term corrections, considering the risks associated with the weakness of the local economy in recent months, amid adverse weather conditions. In addition, volatility in metal prices remains high amid signs of economic slowdown in China and the US. **However, some significant risks have dissipated, at least temporarily,** such as episodes of high political noise and the possibility of radical changes in the economic model. Furthermore, towards the middle of next year, once the risk of a strong El Niño phenomenon has subsided, we believe that the market will find support in the reporting of better financial results in line with the expected recovery of the economy. Regarding this, the government has been implementing various fiscal stimulus measures and has announced some others to promote private investment, which we believe will progressively help to recover business confidence. Finally, the reduction in inflation should allow the central bank to reduce its reference interest rate, which would also boost the economy.

Considering the above, **we maintain a defensive strategy for the coming months** in anticipation of an eventual strong El Niño phenomenon and its potential impacts, with a greater preference for companies with resilient business models, solid financial positions and good medium-term growth prospects. Thus, we recommend: i) greater exposure to companies linked to the retail sector with a greater focus on the sale of essential products, ii) greater exposure to companies in the electricity sector with low exposure to possible climate risks and iii) some exposure to the mining sector given the good medium-term prospects for copper and the high prices that gold still has. Our Top Picks are InRetail, Engie Energía Perú and Buenaventura.

InRetail should remain resilient amid a challenging macro environment. We believe it is a great bet for navigating this uncertain scenario.

The retail sector should remain challenged in 2H23 on the back of the El Niño phenomenon's impact, still high inflation levels and a weakened environment for general consumption. Having said this, **we expect InRetail (BUY; T.P.: USD 43.7) to resiliently navigate through this challenging environment,** leveraging on its strong presence in the food categories, which have maintained strong dynamism, offsetting the decline in non-food sales. Additionally, the company's significant exposure to the cash & carry segment, which constitutes around 28% of Super revenues, enhances its resilience amid a still challenged macro scenario. The company's shift to the beauty format in the pharma business has been strongly driving results for this segment, while new business lines in Ecuador continue to contribute to fixed cost dilutions. The real estate business has maintained a solid post-pandemic recovery with quite attractive growth prospects going forward. This, coupled with the company's aggressive store opening plan for 2023 and 2024, should lead to an outperforming growth trend. We believe the entry point seems quite appealing considering a ~22% discount in EV/EBITDA figures, which, in our view, is not justified given the company's resilient story. All in, we believe InRetail is a great bet for navigating an uncertain scenario.

Cautious stance on Alicorp amid a challenging short-term consumption phenomenon.

Regarding the food sector, we maintain a more cautious stance due to the impact of inflation on consumer's wallets. Regarding Alicorp, although we have observed in the past few quarters that the company's performance has been influenced by various events out of the company's control, we do not anticipate a short-term alleviation in disposable income among households. We believe that the consumer goods products and B2B core businesses in Peru will continue facing challenging conditions, while the possibility of a strong El Niño phenomenon towards the end of 2023 or early 2024 in Peru remains a risk. Concerning the crushing business, the reduction in agricultural commodity prices has shown a sharper-than-anticipated drop in the contribution to EBITDA, which we are estimating to be near zero this year after a record-breaking year in 2022, with a modest recovery in 2024. The good news is that the company's strategy of focusing on core tier products whose flagship brands are more profitable has enabled it to report improved operating margins per ton ex crushing in 1H23 (a remarkable achievement amid a prolonged period of weakening private consumption in Peru).

Weak hydrology and high spot prices may continue to be headwinds in 2H23.

The utilities sector encountered challenges in 1H23, including persistent weak hydrology (-8% y/y in hydro generation as of Jul-23), a spike in spot prices due to the dispatch of less efficient plants (+118% y/y as of Jul-23) and occasional plant outages. We anticipate that some of these challenges will persist in 2H23, albeit with improvements expected in the latter months of the year due to increased rainfall. The current weak hydro output can be attributed to the El Niño phenomenon. However, its overall impact remains contingent upon several factors, including potential sedimentation effects in the case of a strong El Niño phenomenon and the potential infrastructure vulnerabilities faced by hydroelectric plants.

On a fundamental basis, Engie is our favorite name, followed by Enel Distribución on the potential OPA.

These challenges affect electric generators differently. **Engie (BUY; T.P.: PEN 6.02/share)** stands out as a resilient company due to several factors, positioning it as our favorite name in terms of fundamental value. Engie benefits from higher production thanks to its Punta Lomitas wind farm (260 MW) and extension (36.4 MW, COD to come), reduced net spot exposure in a high spot price environment and a predominantly thermal capacity (~79%), which mitigates the impact of weak hydrology on its production. Additionally, Engie's financial strength positions it well for further renewable plant development, enhancing operational efficiency. Its current valuation also presents an attractive entry point as it is trading at a ~25% discount compared to its historical average over the past five years. In second place, **Enel Distribución Perú (BUY; T.P.: PEN 4.10/share)** has caught our attention, especially following the purchase agreement announcement by China Southern Power Grid. Investors are keenly watching the progress of this transaction, especially the Indecopi decision. Assuming the transaction is approved and the subsequent takeover bid is for the legally required minimum, there is a potential upside of more than 20%. Lastly, for **Enel Generación Peru (HOLD, T.P.: PEN 3.86/share)**, we consider a 50% probability of an announcement regarding the sale of the generation business at an EV/EBITDA ratio of 9.6x, particularly in the coming months following the merger of Enel Generación Perú with EGP Perú. However, the delay of an announcement on this front and the latest declarations of the parent company lead us to think that the materialization of the sale might take longer than initially expected. The remaining 50% is based on valuing the merged company with an EV/EBITDA 24 ratio of 6.1x.

Regarding the financial sector, we highlight that the short-term should continue to be challenging driven by the higher need for provision expenses and the deterioration of asset quality indicators. As of Jul-23, the total NPL ratio reached 3.6%, above pre-pandemic levels but deteriorating by 54 bps in the last 12 months. **This performance has been fueled by the commercial segment as the NPL deteriorated by 60 bps y/y to 5.02%, explained by middle-sized companies (NPL at 13.6%).** This has been the result of the Reactiva loans and the multiple benefits for extending or restructuring these credits. That said, recall that Reactiva loans have a guarantee of ~80%, on average, meaning that the need for higher provisions has been lower when compared to the significant deterioration of this segment.

The increase in the NPL ratio is explained by middle-sized companies and the consumer segment.

Meanwhile, **consumer loans deteriorated by 72 bps y/y to 3.3%, explained by the strong loan growth in the consumer segment and the challenging macro scenario due to high inflation and interest rates.** This has pushed the cost of risk of the industry to levels close to 2.8%, well above the levels observed before the Covid-19 crisis. As a result, the industry's ROAE has been close to 16%, after reaching the pre-pandemic figure of 18% for a large part of 2022. We expect this performance to continue, at least for the remainder of 2023, but we cannot rule out additional pressures from risks coming from the effects of El Niño phenomenon.

We prefer to be cautious on IFS until we see better figures on the asset quality front.

Under this scenario, we prefer to be cautious on **IFS (HOLD; T.P.: USD 30/share),** which increased its cost of risk guidance to a range of 3.2%-3.6% and updated its ROAE estimate to 14%, up from a previous estimate of 18.0%. **We acknowledge that the stock looks discounted trading at 0.9x P/BV 2024E, but we prefer to have better metrics on risks before becoming more optimistic on the stock.**

We have a cautious view due to near-term risks related to climatological events but expect an increase in dynamism in the sector.

Regarding the construction sector, we have a cautious view as we believe the sector has been showing signs of deterioration, such as a downturn in dispatches and cement consumption. However, we highlight that in the recent months the magnitude of the drops has been decreasing when compared with the earlier months of the year. In 1H23, local dispatches decreased by 13.7% compared to 1H22, explained by the lower volumes delivered by Yura (-19.5% y/y), Pacasmayo (-17.8% y/y) and Unacem (-9.1% y/y), while cement consumption dropped by 14.1% in 1H23 versus the same period in 2022. It is important to note that 1H23 was negatively impacted by social protests and heavy rains in the northern part of the country. However, according to the Ministry of Finance, there has been a recovery of investment in infrastructure due to an acceleration in the execution of large projects in recent months. We see continuity in the ongoing projects, which will benefit companies that have exposure to large infrastructure projects in their area of influence. Going forward, we will remain cautious in the short term as there are risks associated with the El Niño phenomenon as it could have a negative operational impact on the sector in 1Q24. Additionally, we believe that the levels of execution remain low despite the increase in public spending. As of Aug-23, the national government had reached an execution of only 44.9% of the annual budget, followed by the regional governments (33.5%) and local governments (34.6%). This can also be seen in the level of execution of the budget for works to deal with the effects of the El Niño phenomenon (PEN 3.6 bn), which reached 5.6% as of Jul-23, according to the latest Comptroller's Office report. Finally, we believe we will begin to see signs of recovery once the phenomenon subsides, and reconstruction activities should increase dynamism in the sector.

Our favorite name in terms of fundamentals is Ferreycorp.

We highlight that on a relative basis our favorite name in terms of fundamental value continues to be **Ferreycorp (HOLD; TP: PEN 2.73/share)** as it benefits from the ongoing operations and demand from the mining sector, along with having good cash generation. However, we are closing our BUY recommendation on the name as we are taking profit and seeing relatively rich valuations compared to its history. Additionally, we are also changing our recommendation on **Aceros Arequipa (HOLD; TP: PEN 1.19/share)** raising it to HOLD as we believe the current low steel prices and challenging scenario are mostly priced in. Moreover, in the case of the cement companies, we are reiterating our HOLD recommendations on the names. Regarding **Pacasmayo (HOLD; TP: PEN 4.18/share),** we believe the favorable company outlook related to cost efficiencies and margin improvements is tempered by near-term risk. As for **Unacem (HOLD; TP: PEN 1.89/share),** we believe it faces deteriorating earnings momentum after reaching record high levels last year, and we also believe recent acquisitions could affect dividends and leverage ratios. Finally, in the case of **Aenza (HOLD; TP: PEN 0.75/share),** we are downgrading our recommendation to HOLD as we are moderating our forecasts since the company's operations have not met our expectations and we still see a clouded bottom line. Additionally, we see downside risks related to potential overhang and dilution if the proposed capital increase is approved in the General Shareholders Meeting in Oct-23. Note that we believe this is positive in the long term as part of the amount will be used to pay financial obligations.

We favor precious metal miners over base metal miners on short-to-medium-term macro expectations

In the mining sector, we prefer precious metal miners over base metal miners considering the macroeconomic scenario that is affecting the latter recently. **Gold and silver prices will find support from peaking interest rates in the US, a peaking US dollar and recession fears.** Currently, market expectations point to the Fed cutting interest rates by 2Q24 amid falling energy prices, generally disinflationary trends on the normalization of the supply chain and recession fears. Considering the stagnant inflation expectations, real yields and the US dollar could be pressured down, favoring precious metals. However, this scenario also presents some risks as a tight labor market, persistent core inflation and the strength of the US service sector raise questions about how much monetary tightening will be necessary to bring core inflation down. **The base metals scenario seems riskier, explained by the weak Chinese economic activity after the reopening after the COVID pandemic,** especially in the property sector. The Chinese government has taken measures to support its economy, which has supported base metals. However, the economic data still does not reflect these measures, which we believe is necessary for the base metals to recover. **Among base metals, we favor copper** since its demand depends on consumption and industrial activities rather than only the property sector and global copper inventories remain close to the 2021 and 2022 lows, compared to rising zinc inventories. Regarding costs, inflationary pressures have eroded gross margins over the past two years. However, **as energy prices go down and some raw material costs and the supply chain normalize, we expect unitary costs to decline,** but by less than previously expected.

Buenaventura could show a better performance in the upcoming months, and copper-producing companies such as Cerro Verde are relatively resilient.

Therefore, **we remain more positive on Buenaventura (BVN: BUY; T.P.: USD 10.1/share)** and are maintaining our Buy recommendation since we like its direct exposure to precious metals and copper. The company has also been securing the permits for its projects to ramp up, and growth in production would come amid a high price scenario for precious metals, improving its financial position. Buenaventura's value comes mainly from its 19.6% participation in **Cerro Verde (CVERDEC1: BUY; T.P.: USD 34.1/share), the second most attractive stock in our opinion,** which we upgraded to Buy. Cerro Verde is Peru's largest copper producer and has a solid financial position, operational stability, long life of mine and high cash flow generation, with dividend payments estimated to be USD 2.3/2.9/3.1 per share for 2023/24/25. **We are more neutral on Minsur (MINSURI1: HOLD; T.P.: PEN 4.08/share),** for which we are maintaining our Hold recommendation, **and Nexa (NEXA: HOLD; T.P.: USD 7.36/share),** which we are downgrading to Hold due to its limited upside against the Peruvian benchmark. For the former, valuation seems fair despite its strong financial position and high expected dividend payments. For the latter, the lower zinc prices, rising costs and delays in its Aripuana project have lowered our valuation. **Finally, we are more cautious on Southern Copper Corporation (SCCO: UPERF; T.P.: USD 65.4/share),** for which we are introducing an Underperform recommendation, **and Volcan (VOLCABC1: UPERF; T.P.: PEN 0.40/share),** which we are downgrading to Underperform. For SCCO, we are cautious despite its solid fundamentals and attractive greenfield project portfolio as the company is trading above its historical premium against its peers. For Volcan, the lower forecasted zinc prices and the weakness of its financial position has lowered our target price.

Top Picks

INRETAIL (BUY; T.P.: USD 43.7/share). We are maintaining InRetail as a top pick due to its highly resilient business model and strong long-term fundamentals, which make it a good bet for navigating a challenging macro and political context. Despite a consumption slowdown, high inflation levels and a challenging comparison base, all three business units have continued to perform well, highly leveraged on the company's strongly defensive business model, which should continue to shield results going forward. We highlight that InRetail's high exposure to the Cash & Carry format (~28% of Super revenues) is a plus amid the current inflationary environment as customers tend to favor cheaper options. Moreover, the company's shift to the beauty format in the pharma business has been strongly driving results for this segment, while new business lines in Ecuador continue to contribute to fixed cost dilutions. The real estate business has had a solid post-pandemic recovery, with quite attractive growth prospects going forward. This, coupled with the company's aggressive store opening plan in 2023 (1 big-box store, 200 Mass stores and 40 pharmacies), should lead to outperforming growth trends; therefore, we maintain our positive view on the fundamentals of the name. Regarding shares, the company is trading at a ~22% discount in the EV/EBITDA level (currently trading at 7.7x vs a historical average of 9.9x), which we believe is not justified given the company's resilient story.

ENGIE ENERGIA PERU (BUY; T.P.: PEN 6.02/share). We are maintaining Engie as a top pick as we think its fundamentals are solid and its valuations look attractive compared to the historical average. The company remains focused on long-term growth through its investment in renewable energy, which has been realized with its Punta Lomitas wind project (260 MW), which commenced commercial operations in Jun-23, along with its extension (36.4 MW). This increased production has been particularly positive for 2023 as it has reduced the net exposure to the spot market, which has faced materially high prices influenced by weaker hydrology and the consequent need for the system to dispatch less efficient plants. Additionally, it has helped compensate for the company's lower hydro production due to the inoperability of the Quitaracsa plant. Overall, we expect EBITDA to grow by 21% y/y in 2023, 3% higher than our previous estimate, and 6% y/y in 2024. Currently, the company is trading at EV/EBITDA 12m forward discounts of ~25% against its five-year historical average, 19% against its three-year historical average and 15% against its two-year historical average.

Top Picks

BUENAVENTURA (BVN: BUY; T.P.: USD 10.1/share). We are introducing BVN as our top pick as the current market price presents a compelling medium-term investment opportunity. First, gold and silver, which account for 49% of revenues, find support in peaking US interest rates and expected cuts in 2024. Copper, which accounts for 39% of revenues, is supported by low inventory levels, Chinese economic stimulus and long-term demand growth for the green energy transition. Second, BVN secured the permits for its Uchucchacua mine restart in 3Q23 and expects the final approvals for its Yumpag project ramp-up in 4Q23 or 1Q24. This production growth will come at a time of high silver prices. Finally, most of BVN's value comes from its 19.6% participation in Cerro Verde, which is a great vehicle to have long-term exposure to copper prices as it can operate beyond 2050 based on reserves with no major CAPEX requirements; the dividends it pays will help BVN to strengthen its financial position and develop its growth projects. We are forecasting EBITDA including associates of USD 533/570/583 mn for 2023/24/25. At these estimates, BVN is trading at an EV/EBITDA 2025E multiple that is 19% below its 5-year mean and 12% below its peers' 5-year mean, when the usual premium is about 8%.

Peru- Top Picks

	Last Price	Target Price	Upside	Total Return	Mkt. (USD mn)	P/E 2023E	P/E 2024E	FV/EBITDA 2023E	FV/EBITDA 2024E	P/BV LTM	Div Yield 2024E	Sectors
Inretail	33.49	43.68	30.4%	34.5%	3,642	14.7	14.3	8.1	7.5	2.7	4.1%	Retail
Engie Peru	4.72	6.02	27.5%	31.4%	767	7.8	7.8	5.3	5.0	0.6	3.8%	Utilities
Buenaventura	8.41	10.10	20.1%	20.9%	2,318	24.0	27.0	5.6	5.2	0.8	0.7%	Mining
Peruvian Picks [a]			26.0%	28.9%	6,727	15.5	16.3	6.3	5.9	1.4	2.9%	
S&P/BVL	22,782	25,540	12.1%	16.7%	95,030	15.5	14.5	7.0	6.2	3.0	4.6%	

[a] Simple average, excluding Market Capitalization, IFS share price in USD

Source: Company Reports, Bloomberg and Credicorp Capital

ANNUAL INVESTOR GUIDE 2024.

This page has been intentionally left blank

Ø2

ANDEAN FIXED INCOME STRATEGY

ANNUAL INVESTOR GUIDE 2024.

Credicorp Capital

ALLIES EMPOWERING YOUR DECISIONS

Andean Fixed Income Strategy

Yields might not be here for much longer. How to take advantage.

Although volatility should remain the base case for a while, there is consensus that the end of the tightening cycle is getting closer, and thus we believe it is time to position accordingly.

2023 has been a year marked by high volatility as investors continue to try to decipher the trajectory of inflation, the Fed's stance on new economic data and the potential ramifications of restrictive monetary conditions on the economy. Currently, the year-to-date return of the CEMBI stands at 2.6%, which is positive but still far from a full recovery from the poor performance last year (-14% return). Overall, the world economy has had a better-than-expected performance, which has supported spreads across corporate fixed income assets. On the other hand, inflation, though it has a clear downward trend, has proven to be stickier than initially expected, and thus major central banks worldwide have not been able to end the hiking cycle, raising concerns about an extended period of restrictive monetary policy. This has brought UST-10 yields to their highest levels since Oct-22. We have seen more optimism in the market in recent months following macro data that suggest a higher probability of a soft landing than a hard one. Nevertheless, we remain cautious about the potential risks to growth given the lingering presence of elevated inflation, geopolitical tensions and the fact that certain sectors are susceptible to the impact of higher interest rates, such as some banks at the start of the year. For EM, concerns about China's growth also remain a source of volatility.

We believe macro uncertainties remain, and this is why we are maintaining our defensive strategy, favoring IG names.

We anticipate that the market will continue to heavily depend on incoming data as the balance between policy rate trends and economic growth remains uncertain. However, while volatility is expected to persist for some time, there is consensus that the end of the tightening cycle is drawing nearer. Therefore, we believe is time to position accordingly. Spreads for EM look attractive versus DM, and we believe our region stands out as an attractive opportunity as the political landscape has improved and corporate balance sheets remain robust despite weaker earnings in recent quarters. Therefore, we expect inflows to recover in coming quarters. In addition, the modest primary market activity in the last two years should be supportive for valuations once inflows recover.

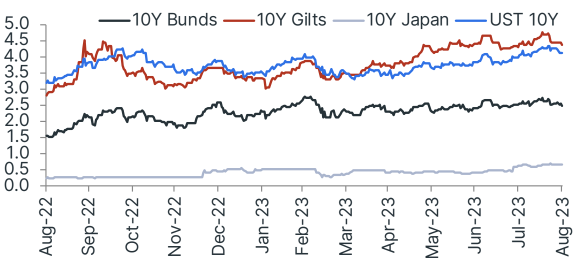
That said, we believe macro uncertainties remain, and this is why we are maintaining our defensive strategy, favoring IG names. However, we do believe there is room to increase positioning in higher beta names, but only those that present clear triggers and have solid credit metrics and/or resilient businesses, while still avoiding names with high refinancing risk. Financial metrics are deteriorating for most of the companies we cover. However, even as companies navigate the downward phase of the cycle, many of them began from a position of financial strength, and thus we see good opportunities to leverage the current attractive yields and the expected start of the easing cycle. Being selective, as always, is key. The good news is that current rates allow access to appealing yields without the need to be exposed to high credit risks. Concurrently, actively managing duration will be pivotal in leveraging interest rate movements, and we believe it is already time to explore longer durations.

Lastly, corporate spreads in LatAm have tightened by 40 bps since the end of last year, outperforming the rest of EM (+1 bps YTD). Colombia has experienced the most significant volatility, with spreads peaking in May but subsequently tightening by almost 140 bps as political uncertainty waned. Nevertheless, spreads still reflect potential sovereign downgrades, leaving room for further tightening if the political situation improves. We maintain a positive outlook for Chile as reduced political noise, anticipated rate cuts and a favorable macroeconomic outlook for 2024 contribute to our optimism. In Peru, we are closely monitoring the potential impact of El Niño on company operations when determining our favorites.

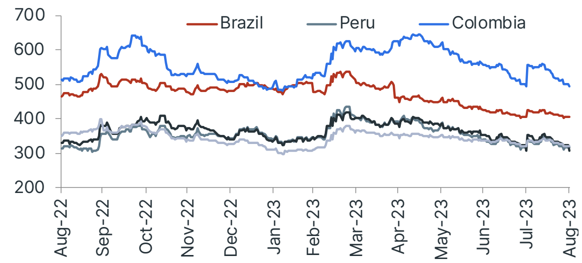
Our Overweight recommendations in the Andean Region

Bond	Company	Sector	Country	Rating	Amt. Out	Duration	Z-spread	YTW	Carry	Coupon	Price	Next Call
CENSUD 25	Cencosud	Retail	CL	Baa3 / NR / BBB	USD 524mn	1.4	108	6.30%	0.44%	5.10%	98.5	12-11-2024
AES 79	AES Andes	Utilities	CL	Ba2 / BB / BB	USD 517mn	0.8	720	15.18%	0.62%	7.13%	95.7	4/7/2024
BANBOG 26	Banco de Bogota	Banks	CO	Ba2 / NR / BB-	USD 1.100mn	2.5	250	7.18%	0.64%	6.25%	97.8	-
BCOLO 25	Bancolombia	Banks	CO	Baa2 / NR / BB+	USD 482mn	1.4	131	6.57%	0.31%	3.00%	95.3	29-12-2024
GRUPOS 26	Grupo Sura	Conglomerate	CO	NR / BB+ / BB+	USD 500mn	2.4	230	6.99%	0.58%	5.50%	96.5	29-01-2026
ECOPET 29	Ecopetrol	O&G	CO	Baa3 / BB+ / BB+	USD 1,200mn	4.3	410	8.33%	0.71%	8.63%	101.2	19-12-2028
ECOPET 30	Ecopetrol	O&G	CO	Baa3 / BB+ / BB+	USD 2,000mn	5.2	419	8.31%	0.62%	6.88%	92.8	29-01-2030
TERMOC 29	Termocandelaria	Utilities	CO	NR / BB- / BB	USD 462mn	3.3	582	9.82%	0.70%	7.88%	94.0	8/24/2023
BINTPE 26	Interbank	Banks	PE	Baa1 / BBB- / NR	USD 400mn	2.9	127	5.81%	0.35%	3.25%	92.9	04-08-2026
BINTPE 29	Interbank	Banks	PE	Baa3 / BB+ / BB+	USD 850mn	0.5	210	7.65%	0.66%	6.63%	99.5	19-03-2024
BINTPE 30	Interbank	Banks	PE	Baa3 / BB+ / NR	USD 300mn	1.8	355	8.23%	0.43%	4.00%	92.4	08-07-2025
INRSHM 28	InRetail Shopping Malls	Real State	PE	Ba2 / BB+ / NR	USD 350mn	4.0	287	7.14%	0.51%	5.75%	94.7	18-09-2023
SCCO 25	Southern Copper	Mining	PE	Baa1 / BBB+ / BBB+	USD 500mn	1.6	80	5.90%	0.30%	3.88%	96.9	-
KALLPA 26	Kallpa	Utilities	PE	Baa3 / NR / BBB-	USD 350mn	2.5	183	6.43%	0.42%	4.88%	96.2	2/24/2026
KALLPA 27	Kallpa	Utilities	PE	Baa3 / NR / BBB-	USD 650mn	3.6	194	6.24%	0.37%	4.13%	92.7	5/16/2027

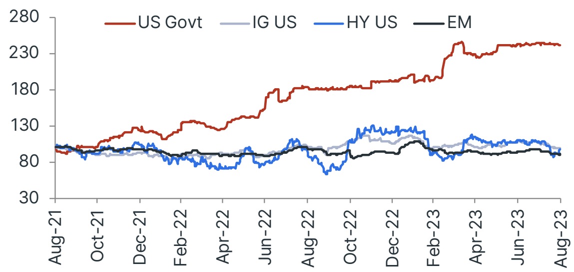
Evolution of Global Interest Rates



Corporate Spread Evolution by Country



Flows to EM (ETF shares)



Weekly Flows to EM (USD bn debt flows)

ANNUAL INVESTOR GUIDE 2024.

This page has been intentionally left blank

Ø3

ANDEAN ECONOMIES

Andean Economies

Higher economic growth in 2024, but the adjustment process will continue to be gradual

The Andean economies are going through an adjustment process this year, reflected in a contraction of domestic demand.

As expected, 2023 has been a year of adjustment for the Andean economies following two years of post-pandemic recovery. Chile, Colombia and Peru have posted a non-negligible slowdown so far this year amid lower households' real disposable income due to high inflation, elevated interest rates and lower external demand. This comes in a context of lower savings and the fading of the effect of factors that positively contributed to economic growth in previous years such as fiscal transfers, AFP withdrawals in Chile and Peru and large households' remittances in Colombia. Other idiosyncratic factors like higher taxes in Colombia and climatic events in Peru (i.e., Cyclone Yaku and coastal El Niño) have also played a role this year. As mentioned since a year ago, an adjustment in economic activity was strongly needed, particularly in private consumption in Chile and Colombia, as it posted unsustainable growth rates during several quarters, leading to significant imbalances (i.e., very high inflation and large current account deficits).

The behavior of investment is a factor of concern after contracting at double-digit rates in 1H23.

Having said all this, although the likelihood of the approval of radical reforms seems to be lower than it was some months ago, undoubtedly the heightened political and regulatory uncertainty in the three countries has taken a toll on economic activity during the last year, especially on investment, which contracted in all cases in 1H23 (Chile: -12%; Colombia: -16%; Peru: -12%). Recall that Chile continues to go through a constitutional process and that proposals to change the tax and pension systems are under discussion; in Colombia, the Petro administration has proposed significant changes to the pension and health systems, the labor market and the energy sector, while some measures on infrastructure and social housing have been taken, raising concerns; in Peru, although the political backdrop has improved recently, the outlook is far from certain with the economy still feeling the effects of the social tensions seen at the start of the year.

We expect Andean economies to accelerate in 2024, though growth rates will remain below potential.

All-in, GDP posted a contraction of 1% y/y in 1H23 in Chile, an expansion of 1.7% in Colombia and a reduction of 0.5% in Peru amid a strong contraction of domestic demand in the three countries (Chile: -6.8%; Colombia: -1.8%; Peru: -2.5%). In the upcoming quarters, we expect public spending and net exports (primarily through a sharp reduction in imports) to provide support to economic growth. In any case, the ongoing disinflation process and the expectation of lower interest rates should lead to a gradual recovery of both private consumption and investment. Thus, we predict that Andean economies will accelerate in 2024, though growth rates will remain below potential as the adjustment process will remain gradual amid still high external and domestic challenges. The good news is that the imbalances created after the pandemic will continue to correct, setting the conditions for more sustainable growth rates in the next few years. That said, we acknowledge that a significant reduction of political and regulatory uncertainty is a necessary condition for this view to materialize; otherwise, low investment for longer may lead to lower potential growth ahead.

In Chile, economic activity was soft in 1H23, but 2H23 started out on the right foot. In 2Q23, GDP dropped by 1.1% y/y, which was slightly weaker than the BCCh's estimate, though most of the surprise came on the back of a poor performance in the mining sector. On the demand side, private consumption declined by ~6% y/y, with durable goods falling by almost 25%, reflecting the needed adjustment after the unsustainable pace observed in previous years. Consistently, economic activity in 1H23 proved to be more fragile than initially estimated.

In Chile, qualitative data suggest that better conditions are expected ahead.

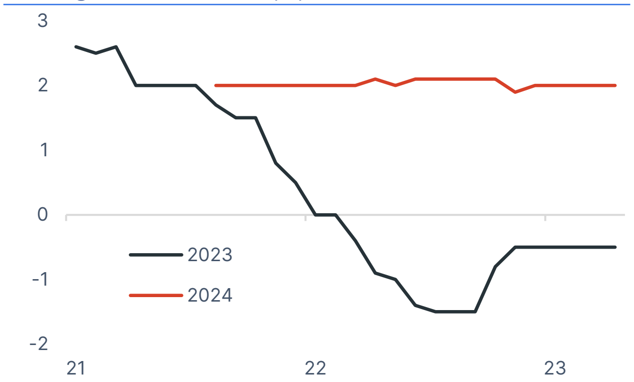
However, 3Q23 started out on the right foot with the Jul-23 IMACEC expanding in yearly terms after five consecutive declines. The figure represented a genuine surprise, particularly in commerce, industry and the production of other goods (including construction), and supports the view that the major adjustment in the economy took place during 1H23. Of note, the total investment pipeline for the next five years has been revised to the upside by almost USD 12 bn with all the years evidencing positive revisions, particularly in mining and energy projects. Positive spillovers to other sectors of the economy are likely, according to the BCCh's estimates in previous years. Consistently, we expect a modest GDP drop this year of 0.3% and an expansion of 2.3% next year.

The total investment pipeline for the next five years has been revised to the upside by almost USD 12 bn, explained mainly by mining and energy projects.

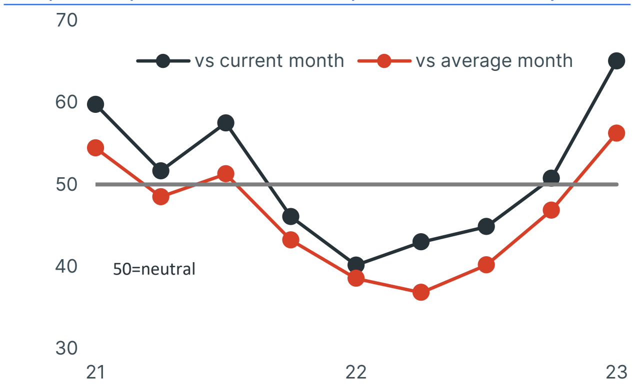
Qualitative data suggest that better conditions are expected ahead. Information from the BCCh's Business Perception Report (IPN) evidenced that companies expect a significant improvement in their performance within 12 months with respect to their current situation. The recovery is mainly associated with the performance of each company, and no common vision is identified among interviewees from the same industry or geographical zone. According to the respondents, better conditions are expected by the end of this year, while others project it for 2024.

The main risks to our base case are: i) a more intense slowdown in China and the US, thus reducing the external impulse, ii) core inflation persistence in the US leading to tight financial conditions for longer, iii) the potential tax reform and its impact on business sentiment and investment, iv) the potential pension reform and its impact on financial assets and v) the final outcome of the constitutional process.

GDP growth estimates (%)



Expected performance of companies within one year



Sources: BCCh, Business Perception Report 3Q23, Credicorp Capital

In Colombia, private consumption has shown the expected adjustment, but the behavior of investment is a factor of concern.

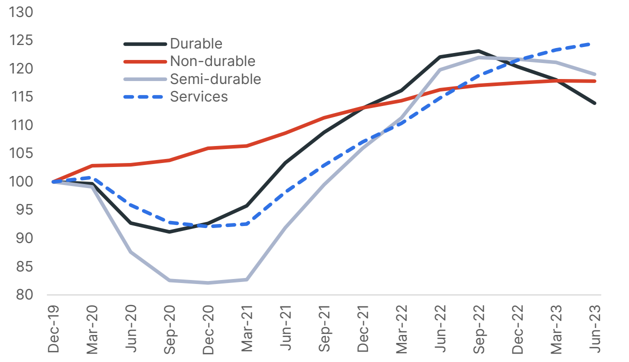
As expected, the Colombian economy is under an adjustment process after two years of impressive growth. That said, the behavior of investment raises concerns. After surprising to the upside in 1Q23 (3% y/y), GDP expanded just 0.3% y/y in 2Q23, below the market consensus and our own estimate (both at 0.8%). In any case, the economy has, overall, performed in line with our long-held view as private consumption has continued to adjust amid lower savings, lower real disposable income and high interest rates, following unsustainable growth rates during the previous two years that led to large imbalances (i.e., very high inflation and a wider current account deficit (CAD)).

That said, the behavior of investment is raising significant concerns after falling 15.5% y/y in 1H23 with a strong contraction of 24% y/y in 2Q23, the sharpest drop since 1999 (excluding the pandemic period). On the private side, investment has been affected by several factors, including: i) very high interest rates in a context of still elevated production costs, ii) higher corporate taxes resulting from the 2021 and 2022 tax reforms, iii) a strong correction in inventories amid projected lower domestic and foreign demand, iv) a deterioration in security conditions in some regions and, importantly, v) high political and regulatory uncertainty amid decisions and announcements from the government that sustain concerns about the future of the rules of the game in some sectors. Recall, for instance, that the Petro administration has not awarded new oil/gas exploration contracts, has announced a reform for the electricity sector, froze toll road rates, changed the conditions of the social-interest housing subsidy, will continue to insist on the health reform and has presented the labor reform again, which could have a significant effect on labor costs.

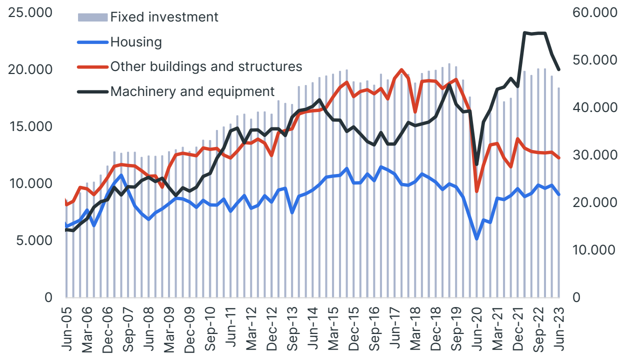
Activity will gradually recover in 2024 amid lower inflation and interest rates, but a reduction in political and regulatory uncertainty is a necessary condition.

In addition, public investment has strongly disappointed as civil works contracted by 16% y/y in 1H23, currently standing at the lowest level since 2010, and we had been expecting better dynamics as this is the last year of administration of regional and local governments (recall that elections will be held on October 29th). Although we predict a gradual recovery of investment in the upcoming quarters amid the expectation of lower interest rates and an acceleration in the execution of public projects, lower political and regulatory uncertainty is a necessary factor for this view to materialize, in our opinion. Additionally, the foreseen reduction in inflation and interest rates should provide support to private consumption going forward, which will be clearer in 2024. We expect GDP to grow 1.3% this year amid a significant contraction of domestic demand (-1.8%). Overall, public consumption and net exports will be the main factors supporting growth this year. We are keeping our 2024 GDP growth forecast at 2.2%, but the balance of risks seems to be tilted to the downside due to the challenges for investment.

Breakdown of private consumption (levels)



Breakdown of investment (COP bn of 2015)



Sources: DANE, Credicorp Capital

In Peru, the 0.5% y/y decline of economic activity in 1H23 led us to cut (again) our 2023 GDP growth estimate from 1.3% to 0.6%.

In Peru, the El Niño phenomenon continues to be the main factor to monitor due to its potential additional effect on economic activity. After a 0.5% y/y decline of GDP during 1H23, the worst first semester in 22 years (excluding the pandemic period), the most recent available economic indicators have shown mixed signals. Nonetheless, GDP will grow around 1% y/y in 3Q23. The recovery during the last part of this year could be favored by: i) the deceleration of inflation and the recovery of consumer's purchasing power, ii) a gradual recovery of business confidence and economy expectations, iii) the catch-up in the tourism sector and related activities (inflows still are 30% below 2019 levels on an annualized basis) and iv) fiscal stimulus and El Niño prevention works (the resources committed by the government to handle the climatic event and stimulate the economy could represent higher public spending for up to PEN 8 bn).

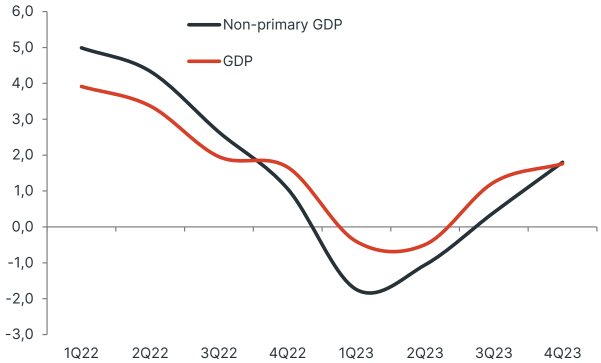
However, the recovery of economic activity will also face headwinds, including: i) according to the latest ENFEN statement (31-Aug), strong warm conditions (sea surface temperature) will remain throughout the rest of the year, which lowers the likelihood of a second anchovy fishing season opening, ii) in the upcoming quarters, a deceleration of Peru's main trading partners (the US and China) is expected to materialize, iii) the government has continued to show never-ending inefficiencies in the execution of resources (so far, only a small fraction of the allocated funds designated for preventive measures against the El Niño phenomenon have been used (~6%) and iv) business sentiment remains low.

All-in, GDP growth will stand below 1% this year (our estimate currently stands at 0.6%), and, as we have mentioned in previous reports, domestic demand will have one of the worst performances in the last two decades in 2023.

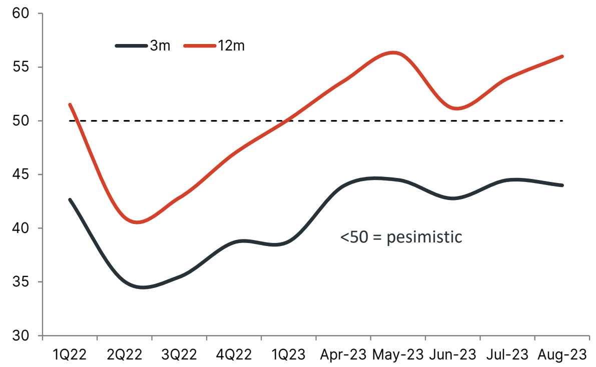
We expect GDP to grow only 2% next year amid the potential negative effects of an El Niño event.

Regarding 2024, the impact of El Niño will be the main factor to monitor. Given the increasing likelihood of an El Niño event with a moderate to strong magnitude, we expect GDP to grow only 2% next year with downside risks. Even though the magnitude of the event will be moderate/strong, the actual impact on economic activity remains uncertain. In 2017, when Peru faced a coastal El Niño between Dec-16 and May-17 the event was considered to be of moderate magnitude; however, in terms of economic impact it was the third largest in the past 100 years of Peru's history. Therefore, uncertainty remains high for next year.

Total GDP and non-primary GDP (%, y/y)



3- and 12-month-ahead economic expectations



Sources: BCRP, BCP, Credicorp Capital

Central banks to undertake deep rate cut cycles within the next twelve months

We expect inflation to continue to gradually converge to the targets of the central banks during the next few quarters, mainly as a result of output gaps that are expected to be negative during 2024 in the three economies (while the output gap has been negative since 2022 in Peru, we expect it to turn negative during the upcoming months in both Chile and Colombia). We also expect that the ongoing normalization in the prices (and costs) most affected by the pandemic and the Russia-Ukraine war as well as the accumulated appreciation of the Andean currencies during the last year (particularly in Colombia and Peru) will play a role in the disinflation process ahead.

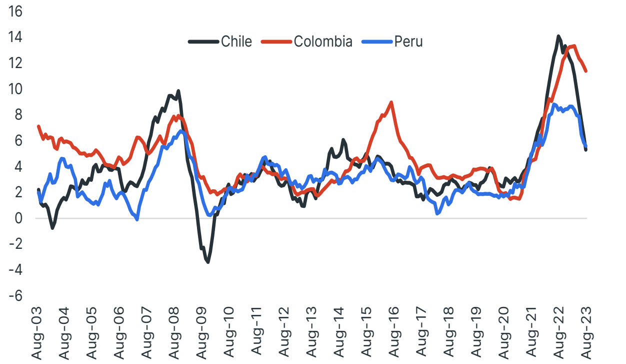
We expect inflation to continue to converge to the targets of the central banks with negative output gaps playing the main role.

Under this scenario of inflation converging to the targets in 2024, moderate economic growth and narrower current account deficits, we estimate that Andean central banks will have enough room to carry out deep rate cuts within the next twelve months, a process that has already started in Chile and that is set to begin in Colombia and Peru soon. Overall, we are of the view that central banks should avoid undesirable effects on economic activity going forward through proactively adjusting policy rates as both observed inflation and its expectations fall, otherwise the monetary policy stance could remain too contractionary. Recall that as inflation expectations drop and the reference rate remains stable, the stance of monetary policy automatically becomes more contractionary, meaning the need of a proper adjustment of the policy rate to prevent the economy from slowing down more than projected. This is particularly important in a context in which ex-ante real monetary policy rates remain at multi-decade highs. As we acknowledge that several concerns on inflation are still present in the short term, we expect the easing cycles to be deeper in 2024, when the convergence of inflation to the targets will be clearer.

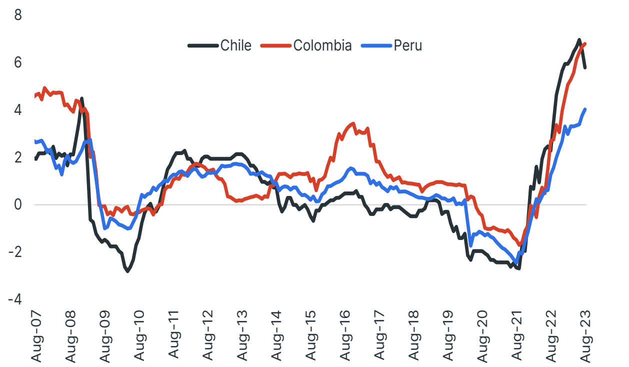
As several concerns on inflation are still present in the short term, we expect the monetary easing cycles to be deeper in 2024.

A strong El Niño phenomenon is one of the main risks to our view as it could put pressure on some prices (especially foodstuff), temporarily affecting the projected downward path of observed inflation, and potentially of inflation expectations. Other risk factors include the presence of indexation mechanisms (which could mean a stronger persistence of inflation as it remains at high levels currently) and the possibility of policy decisions with an impact on some prices (e.g., minimum wage, fuel prices, strong public spending and AFP withdrawals, among others).

Andeans: inflation (%, y/y)



Andeans: ex-ante real policy rates (%)



Sources: DANE, BCRP, BanRep, BCCh, Credicorp Capital

In Chile, from its peak in Aug-22, total inflation has moved from ~14% to ~5%, mostly by the behavior of the goods component and volatile items.

In Chile, the headline CPI continues to decline. From its peak in Aug-22, yearly headline inflation has moved from ~14% to ~5%, mostly explained by the behavior of the goods component and the decline in volatile items, especially energy. In addition, cost pressures have been receding as international freight costs have decreased, global value chains have been reinstated and external prices have come down. On its part, the ex-volatiles component has also exhibited a similar trend, but at a more modest magnitude, moving from ~11% in Sep-22 to ~7% currently.

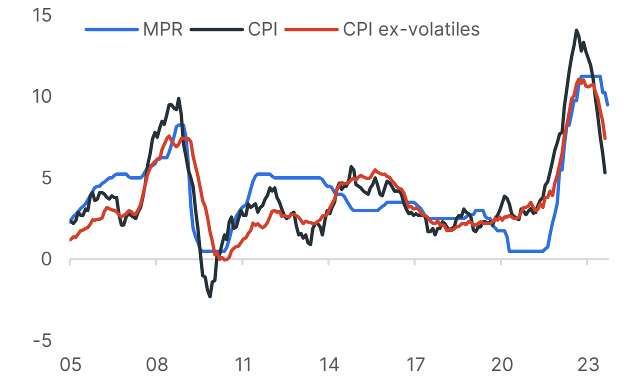
However, recent temporary shocks have caused the BCCh to marginally revise to the upside its Dec-23 CPI forecast. In the most recent IPoM, the BCCh increased its year-end CPI estimate from 4.2% to 4.3%. In this context, the authority now seems more concerned about the short-term inflation prospects, in our view. In any case, these temporary shocks are not changing the BCCh's view that inflation convergence will take place by 2H24. Importantly, the 2-year-ahead inflation expectations are well anchored to the 3% target and are no longer a matter of concern for the BCCh and the expected monetary policy path.

Looking forward, our base case assumes that both headline and core CPI will continue to fall in yearly terms in 2H23. This projection includes the temporary shocks linked to the recent CLP depreciation, the higher price of oil and the increase in local food and transport prices. Consistently, we maintain our Dec-23 inflation forecast at 4% and our Dec-24 inflation forecast at 3%.

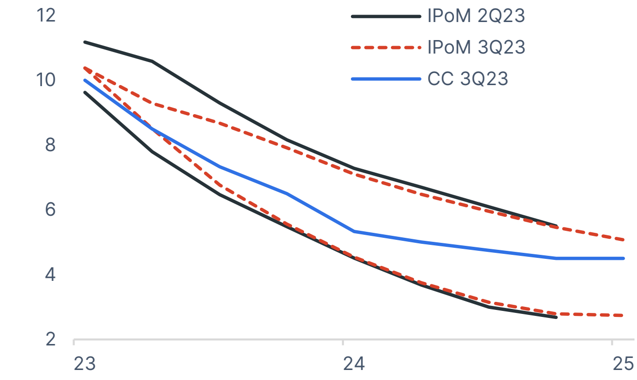
The BCCh is reducing the interest rate uncertainty by explicitly signaling a year-end level between 7.75% and 8%

In this context, the BCCh has reduced the interest rate uncertainty by explicitly signaling a year-end level. After starting the easing cycle with a 100-bp cut in Jul-23, the authority decided to slow the pace by cutting the rate by 75 bps in the following meeting. The market read the first move as a very dovish stance and expected that the authority would feel comfortable cutting rates this year by 400 bps (500 bps in some extreme cases). However, the BCCh explicitly said that, for this year, the cuts will be of no more than 350 bps. In this context, the floor of the monetary policy corridor outlined in the most recent IPoM is aligned with our expectations. We expect the policy rate to stand at 8% by the end of this year and 5% by Dec-24.

CPI (%, y/y) and policy rate (%)



Monetary policy corridor (%)



Sources: BCCh IPoM 3Q23, INE, Credicorp Capital

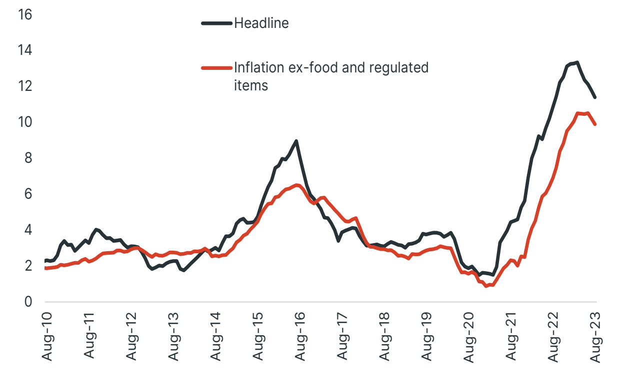
In Colombia, lower domestic demand, the reduction in production costs (at the margin) and the COP appreciation will keep inflation on a downward path.

In Colombia, conditions are emerging for the start of an easing cycle from the BanRep before year-end. Total inflation has accumulated five months of reduction from its peak of 13.3% y/y in Mar-23 and currently stands at 11.4% y/y. Food has continued to play the main role after falling from 27.8% y/y in Dec-22 to 12.4% y/y currently. In addition, the BanRep's preferred core measure (ex-food and regulated) has shown a decrease of 58 bps from the Mar-23 peak (10.51% y/y; Aug-23: 9.9% y/y) amid a reduction in goods inflation (Aug-23: 11.8% y/y) due to the observed drop in goods demand and, more recently, the COP appreciation. While we acknowledge that upside risks continue to be present, including the adjustment of fuel prices and the potential impact of the El Niño phenomenon, we are of the view that factors such as the lower domestic demand, the material reduction in production costs (at the margin) and the stronger-than-expected COP appreciation will keep inflation on a downward path in the upcoming months. Thus, we have an inflation estimate of 9% for year-end. We expect a 4.5% print for Dec-24 as the output gap turns negative and food inflation and production costs continue to normalize. However, we recognize several risk factors, including the El Niño event (whose impact should be more evident next year depending on its intensity) and the potential effect of government decisions and reforms (e.g., minimum wage, toll road rates, fuel prices and labor reform).

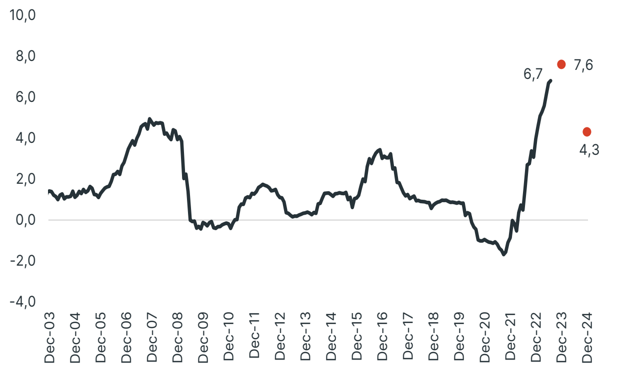
The BanRep will initiate an easing cycle before year-end, taking the policy rate to 7.5% by Dec-24 as the output gap will turn negative in 1Q24.

Regarding monetary policy, we believe that the recent reduction in both observed inflation and its expectations (the 12-month-ahead gauge has fallen 182 bps since Jan-23) and the contraction in domestic demand are creating the conditions for the start of an easing cycle before year-end. Also, core inflation has favorably surprised the BanRep, and it projects that the output gap will turn negative in 1Q24. As the repo rate has stayed at 13.25% since Mar-23, the recent fall in inflation expectations means that the ex-ante real rate has continued to increase (from 5.5% in Mar-23 to 6.8% in Aug-23), moving further away from the neutral real level of 2.2% estimated by the BanRep, implying that the policy stance has become even more contractionary. Hence, we think that the BanRep will take the repo rate to 12.50% by year-end, though a lower level is not ruled out. This projected level for Dec-23 implies that the ex-ante real rate will stand at a still high 7.6% (assuming 4.5% inflation for Dec-24), and thus the policy stance would be even more contractionary than it is currently. Therefore, a larger adjustment should be seen in 1H24, taking the repo rate to 7.5% by Dec-24. We acknowledge that risks are skewed to the upside, especially in the short term, as the monetary authority may prefer to be conservative amid the existing risks to inflation. That said, we are confident about our repo rate estimate for Dec-24.

Headline and core inflation (%, y/y)



Ex-ante real monetary policy rate (%)



Sources: DANE, BanRep, Credicorp Capital

In Peru, core inflation will reach the ceiling of the target range by year-end, in line with the very weak domestic demand.

In Peru, the central bank remains cautious before starting the easing cycle. In Aug-23, headline inflation decelerated to 5.6% y/y (Jul-23: 5.9% y/y), the lowest level in 23 months. For its part, the deceleration of core inflation was slower as in Aug-23 it stood at 3.8% y/y (Jul-23: 3.9% y/y), the lowest level in 18 months though. Both measures remain above the target range of the central bank (1%-3%). Importantly, food and beverages inflation remained close to 10% y/y in Aug-23.

For year-end, we expect headline inflation to decelerate towards 4%. Core inflation will reach the ceiling of the target range (3%), in line with the very weak domestic demand. In terms of risks for inflation, the WTI oil price recently climbed close to USD/bbl. 90, the highest level in 10 months. In addition, the effect of El Niño could be felt during the Peruvian summer depending on its magnitude, but its effect on inflation would be transitory.

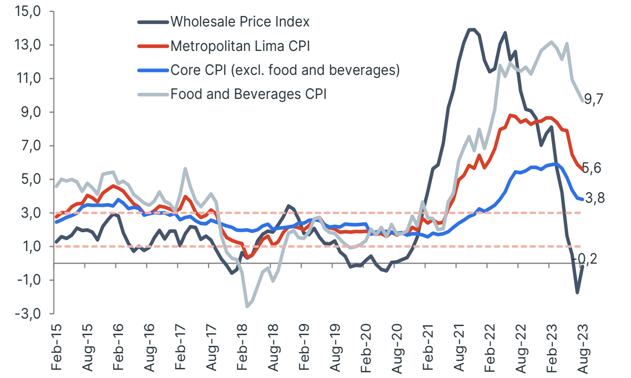
We still hold our view that the BCRP will cut its policy rate by 100 bps during 4Q23, but the risk is to observe fewer cuts than currently expected. Our view considers that: i) inflation and its expectations will continue to decelerate (12-month-ahead inflation expectations in Aug-23 stood at 3.4%), ii) the output gap will remain negative amid a contraction in domestic demand, iii) the Fed will be close to the end of its rate hiking cycle and iv) the real policy rate will remain at a historic high amid very weak economic activity. Taking previous rate cutting cycles as a reference point, the BCRP has started to cut its policy rate mostly when core inflation and 12-month-ahead inflation expectations stood below (or very close) to 3%, with the only exception being the Great Financial Crisis.

We still hold our view that the BCRP will cut its policy rate by 100 bps during 4Q23, but the risk is to observe fewer cuts than currently expected.

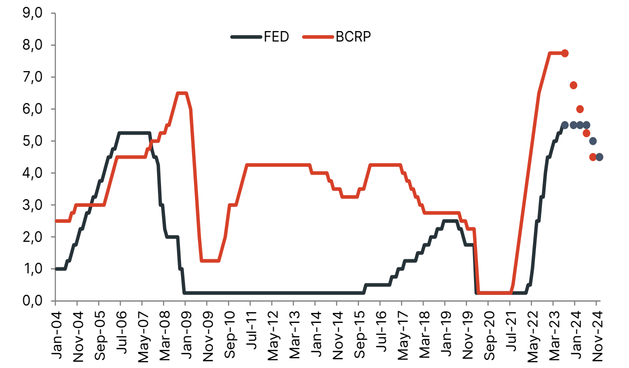
Despite this view, we acknowledge that the start of the easing cycle could take longer than previously expected amid the above-mentioned risks to inflation (i.e., El Niño event and high oil prices). In recent statements, the President of the BCRP, Julio Velarde, has said that the central bank will be as prudent as possible to avoid any policy mistakes.

The BCRP could revisit its real neutral policy rate estimate (currently at 1.5%), in line with what has been observed in the case of other central banks. That said, it is unlikely that the real policy rate will reach a clear expansionary stance in 2024 as the BCRP versus Fed key rate spread is set to narrow in the upcoming quarters as the BCRP starts cutting rates in the next few months (whereas the Fed will stay put until 1H24).

Inflation measures (%, y/y)



BCRP and Fed monetary policy rates (bps)



Sources: INEI, BCRP, FED, BCP, Credicorp Capital

Governments remain committed to fiscal responsibility, but pressures on public finances remain high

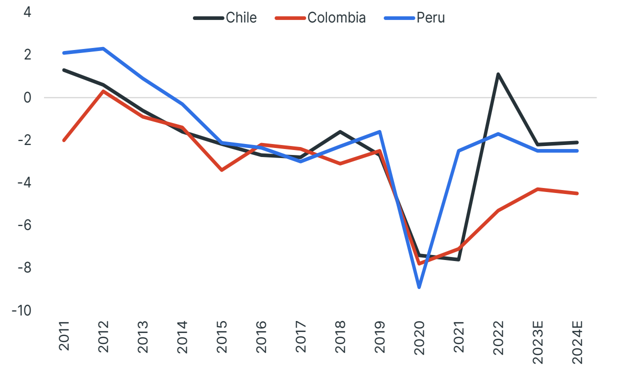
Fiscal metrics will remain healthy in Chile and Peru, while Colombia will continue to face the highest challenges ahead.

After posting a better outcome than initially expected last year amid the post-pandemic recovery of economic activity, healthy terms of trade and the reversion of the extraordinary pandemic-related expenditures, fiscal accounts in the Andean countries have maintained a consolidation process so far this year amid the government's commitment to fiscal responsibility. Although fiscal deficits in Chile and Peru will show a deterioration in 2023 primarily due to the slowdown in economic activity and lower export prices in a context of still large pressures on public spending, fiscal metrics will remain healthy in these two countries with relatively low public debt levels (<40% of GDP). On its part, the fiscal deficit has continued to improve in Colombia this year with the proceeds from the last two tax reforms playing a significant role, but it remains high with debt levels that exceed 60% of GDP, thus keeping fiscal risks elevated amid the intention of the current government of significantly increasing primary public spending.

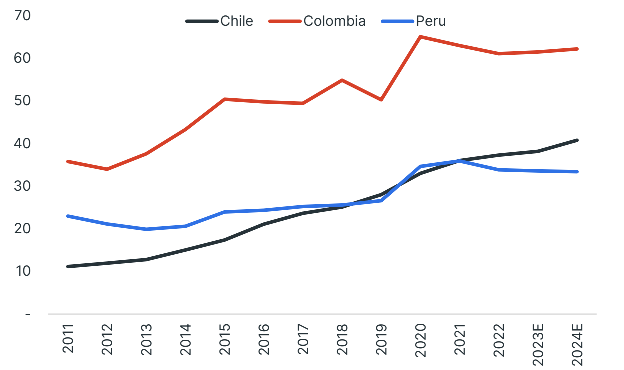
Risks to fiscal accounts remain elevated in all countries amid acute pressures on public spending and moderate economic growth.

Next year, we expect fiscal deficits and public debt levels in the three economies to remain broadly stable as a share of GDP versus 2023 as economic activity gradually gains traction while public spending pressures remain acute. Under this scenario, the attention will be mostly focused on Colombia (which is not unusual) as it continues to face the largest challenges for fiscal consolidation going forward. Having said this, we believe that risks to fiscal accounts remain elevated in all countries amid factors such as: i) the El Niño phenomenon and its potential impact on economic activity, infrastructure and some prices, which could lead not only to lower tax collection but also to the need to increase public spending (Peru has already seen a non-negligible impact from coastal El Niño this year); ii) still acute pressures for higher public spending due to increased social demands during the last few years and the commitment of the governments to satisfy them; iii) the possibility of lower potential economic growth following several years of lackluster investment; and iv) the uncertain fiscal effects of some of the reform proposals currently under discussion.

Andeans: fiscal balance (% of GDP)



Andeans: public debt (% of GDP)



Sources: Ministries of Finance, Credicorp Capital

In Chile, the MoF estimates a slightly weaker fiscal deficit this year. In Jul-23, the MoF revised the fiscal deficit for this year from 1.6% to 1.9% of GDP due to lower expected tax collection from: i) mining companies (lower production), ii) other taxpayers and iii) VAT (weaker domestic demand). Fiscal spending projections, on the other hand, show marginal changes compared to the previous report. The MoF's base case considers 2023 GDP growth of 0.3% on the back of the dynamism expected for the non-mining GDP, a higher carry-over and a lower comparison base.

In Chile, we estimate that the fiscal deficit will be close to 2.2% of GDP, above the official estimate of 1.9%.

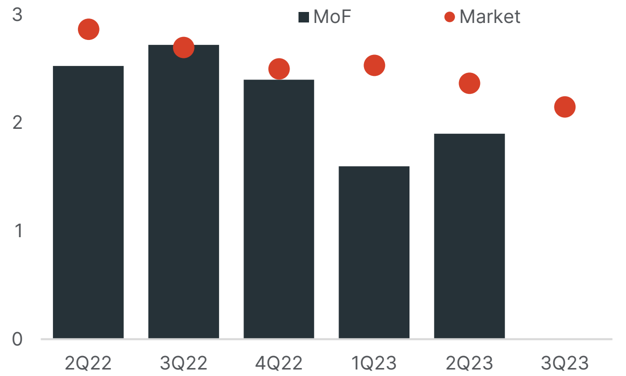
However, we estimate that the deficit could be closer to 2.2% of GDP. The MoF continues to expect positive GDP growth this year, but the forecast seems optimistic as it stands above the BCCh estimate and market consensus, implying that fiscal revenues could be slightly overestimated. On top of this, additional fiscal spending is expected during 2H23. First, the recent adverse weather events linked to heavy rainfall will require emergency measures for reconstruction, the agriculture sector, housing and direct transfers to households, likely leading to higher fiscal spending. Second, universal pension-related payments will continue to exert additional fiscal pressure during 2H23.

The structural deficit could be higher if the lithium-related revenue methodology is updated. The approach proposed by the MoF to calculate structural lithium-related revenues considers a threshold of a 4-year average (as a share of GDP) for 2023 and a 5-year for the remaining periods. However, the Autonomous Fiscal Council (CFA) estimates that the methodology could be improved by considering a longer average (implicitly reducing the weight of the current boom in lithium prices). As a result, the structural deficit this year would be close to 2.7% of GDP instead of 2.1% as currently forecasted by the MoF

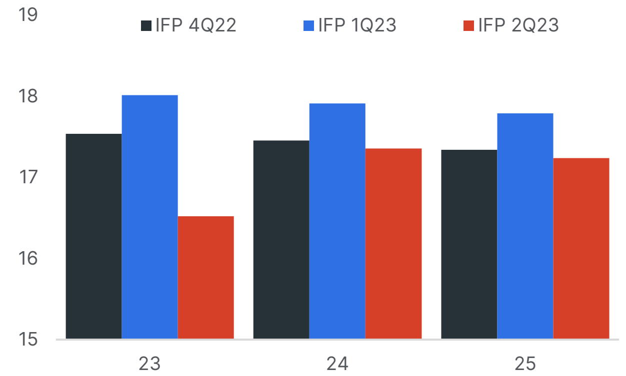
Fiscal challenges remain high for the medium term amid weak long-term economic growth perspectives and increasing social demands.

Overall, fiscal challenges remain high for the medium term. As mentioned in previous reports, our main concern continues to be the sustainability of the public finances in the medium term. The main risks ahead are: i) a relatively optimistic average GDP growth estimate for 2024-27 of 2.5%, which could overestimate fiscal revenues, ii) the fact that the recent rejection of the tax reform casts doubt on how the permanent spending linked to social demands will be financed, adding an upward risk to the gross debt estimate in the medium term, iii) the impact of additional social rights in a potential new constitution on public finances and iv) uncertainty concerning structural fiscal revenues from lithium.

2023 estimated fiscal deficit (% of GDP)



Treasury assets (USD bn)



Sources: FocusEconomics, MoF IFP 2Q23, Credicorp Capital

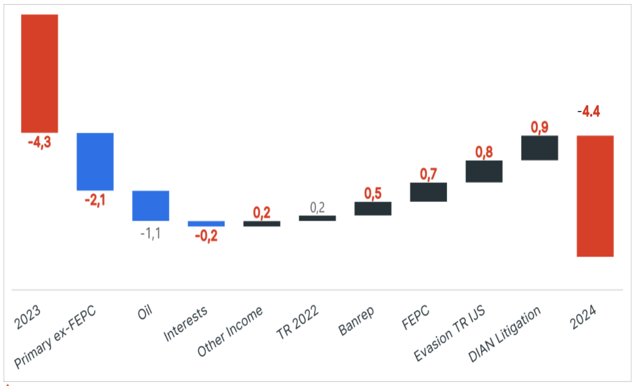
In Colombia, fiscal challenges will continue to be significant amid the intention of the government to materially increase primary spending.

In Colombia, the government is taking the Fiscal Rule to the limit, and the CARF has warned about the risk that it could be breached as soon as in 2024. After just a month since the release of the 2023 Medium-Term Fiscal Framework (MFMP), the MoF updated the 2024 fiscal deficit target from 4.5% to 4.4% of GDP, which is still well above the initial estimate of 3.6% of GDP (the 2023 projection remains at 4.3% of GDP, also above the initial estimate of 3.8%). Recall that the 2023-2024 fiscal targets had been increased in the MFMP mainly due to lower commodity prices, lower economic growth and higher interest payments. Importantly, the new 2024 target embeds 0.2% of GDP primary surplus, which favorably compares to the previous estimate of a zero-primary balance. That said, risks are high for next year considering that the MoF projects fiscal income of 1.7 pp of GDP from uncertain sources (i.e., tax management efficiencies and tax disputes) and an ambitious (and historic) increase in primary spending. In fact, the Autonomous Fiscal Rule Committee (CARF) warned that the tax dispute item (0.9% of GDP) should be discounted from the calculation of the Net Structural Primary Balance (NSPB), the variable on which the annual target of the Fiscal Rule is applied; otherwise, the Fiscal Rule could be breached within the next few years. In addition, the CARF has affirmed that the 2023 MFMP does not include the potential higher fiscal costs from the proposed reforms, which could amount to 0.7% of GDP in the case of the pension and health bills.

Minister Bonilla has reaffirmed the commitment to fiscal responsibility and the Fiscal Rule.

For his part, Minister Bonilla has reaffirmed the commitment to fiscal responsibility and the Fiscal Rule, though he has also stated that tax dispute-related revenues are recurring income and thus they should be considered in the NSPB, challenging the CARF's concept. All-in, the discussion on the possibility of breaching the Fiscal Rule in 2024 is set to be intense going forward, though the final outcome is not likely to be known until 1Q25 after the fiscal year 2024 has ended unless the MoF decides to implement some adjustments in the upcoming months. Overall, fiscal challenges will continue to be significant in the years to come amid the intention of the government to materially expand primary spending and despite the increase of ~1.8 pp of GDP in tax revenues from the last two tax reforms (2021 and 2022).

Change in deficit between 2023 and 2024 (% of GDP)



Primary spending (% of GDP)

Sources: MoF, Credicorp Capital

In Peru, the risk of not complying with the deficit rules is not negligible amid optimistic assumptions on both the revenues and expenditures side.

In Peru, the Ministry of Finance recently released the Multiannual Macro Framework 2024-2027. This document includes the baseline macroeconomic forecasts for the public budget bill submitted to Congress (PEN 241 bn, a 12% increase vs 2023) and the fiscal commitment of the government. We highlight the following points:

- Growth forecasts remain optimistic as it is unlikely that GDP will grow more than 1% in 2023 and 3% in 2024 as currently estimated by the MMF, considering the FEN's foreseen magnitude. Furthermore, the official medium-term growth forecasts stand above potential GDP growth.

- An unrealistic composition of current and capital spending is assumed. Specifically, current spending is expected to be lower than 0.5 pp of GDP per year, which implies that, by 2027, it will stand at 14% of GDP, a level not observed since 2012. Moreover, this type of spending is exposed to risky initiatives from the legislative branch, as warned by the Fiscal Council.

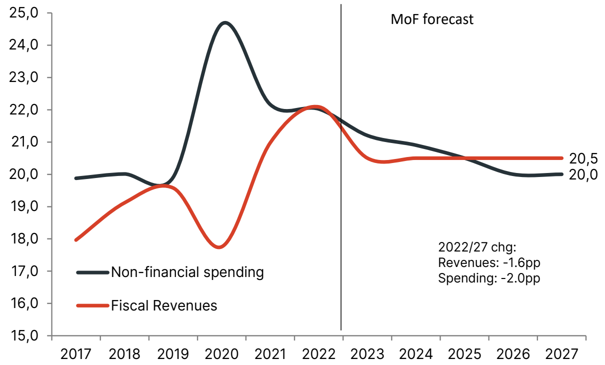
- The Fiscal Council assumes that public spending forecasts adjust exactly to the established fiscal deficit rule, meaning that the latter variable becomes more of a target than a maximum limit. Thus, any fiscal risk that materializes would hinder the revenue estimates and require further adjustment of spending beyond the 0.5 pp per year forecast, which would be deemed as non-believable and challenging, considering multiple pressures for more spending. All-in, the risk of not complying with the fiscal deficit rules seems to be high.

Public debt will remain low, near 33% of GDP in both 2023 and 2024.

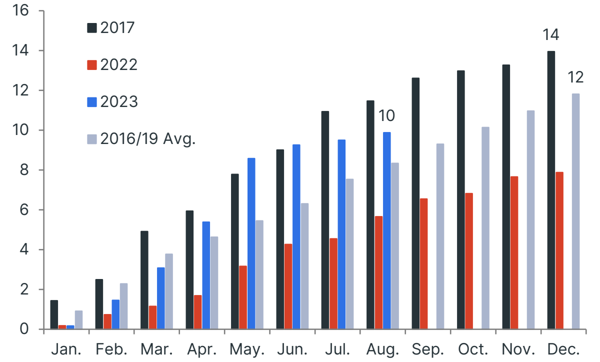
- Significant fiscal contingencies could materialize, such as Petroperu. In 2022, this company received financial support from the government for approximately 1% of GDP through a capital contribution of PEN 4 bn, a short-run debt operation with a guarantee from the national government of USD 500 mn. More recently, Petroperu has made further financial requests. In addition, El Niño could put additional pressure on fiscal accounts, on both the revenue and expenditure side, depending on the intensity of the climatic event.

Accordingly, we expect the fiscal deficit to reach 2.5% of GDP in both 2023 and 2024, above the fiscal rule ceiling established for both years. Having said this, public debt will remain low, near 33% of GDP in both years.

MoF's fiscal forecasts (% of GDP)



Sovereign bond issuances (PEN bn, cumulative)



Sources: BCRP, MoF, BCP, Credicorp Capital

The risk premium embedded in the Andean FX has fallen, but volatility is set to remain high going forward

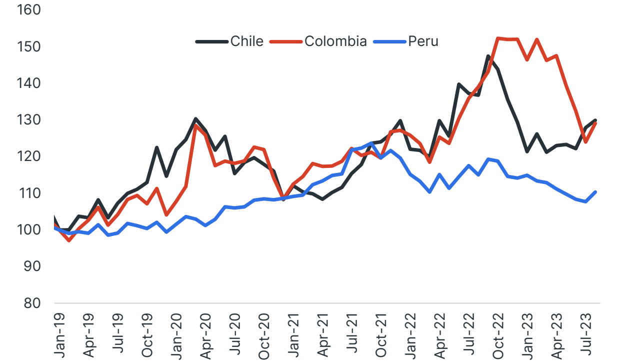
The risk premium embedded in the FX has receded, but volatility is set to remain high amid still high global and domestic uncertainty.

We estimate that the risk premium embedded in the Andean FX has materially dropped so far this year, primarily as a result of lower perceived risks on the political front, thus the apparent lower likelihood of approval of radical reforms. Under this scenario, the three currencies are likely to mostly follow the movements of the global dollar going forward, and thus we do not rule out the possibility of seeing some appreciation pressures on the Andean currencies in the upcoming quarters amid the expectation that the Fed will open the door for rate cuts at some point in 1H24, which would tend to benefit emerging market currencies overall.

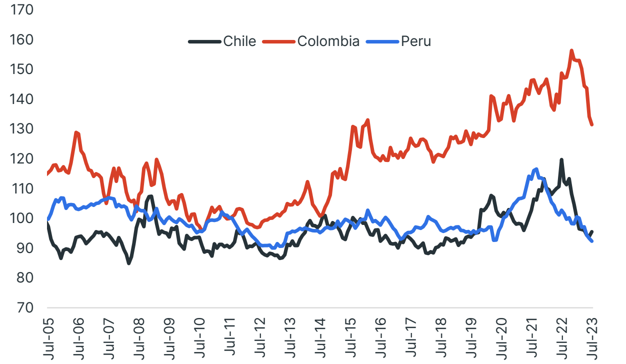
Having said this, the still high uncertainty regarding the future performance of the US economy (i.e., whether it will fall into recession in 2024), global financial risks (e.g., China and commercial real estate) and the possibility of deep interest rate cuts by the Andean central banks in a context in which the Fed will only undertake gradual cuts next year are all factors that could place a floor for the FX (in fact, the CLP showed a strong depreciation after the first 100-bp rate cut by the BCCh in Jul-23). On top of this, political and regulatory uncertainty remains unusually high in the three countries.

Accordingly, we expect FX volatility to remain high in the upcoming months, and thus we continue to be on the moderate side until more clarity is obtained on both the external and the domestic backdrops.

Andeans: nominal FX (Jan-19=100)



Andeans: real FX (index)



Sources: Central banks, Credicorp Capital

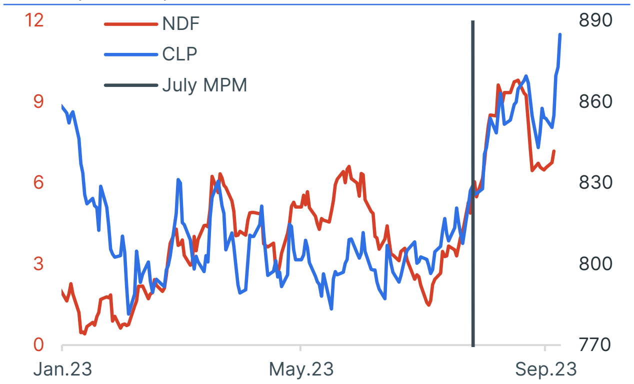
In Chile, in the very short run, we cannot rule out the possibility of FX reaching a level above 900 amid foreign investors that continue to see CLP weakness due to the interest rate differential, disappointing China data and lower terms of trade.

In Chile, despite a less aggressive approach from the BCCh and the MoF's USD sales, the CLP weakness continues. Just before the BCCh started the easing cycle, offshore investors aggressively shorted the CLP, mostly on the back of a lower interest rate differential. The first cut of 100 bps was read by the market as a very dovish stance, and some agents expected that the authority would feel comfortable cutting rates this year by 400 bps (500 bps in some extreme cases). This came hand in hand with a deterioration in the terms of trade together with increasing concerns about China's growth. As a result, from trough to peak, offshore investors moved from USD 2 bn short CLP to USD 10 bn in only a month and a half while the USDCLP went from ~800 to 870. However, declarations from the BCCh's president and vice president that rate cuts would be no more than 350 bps by year-end made offshore agents slightly more neutral. In addition, a better-than-expected performance of the local economy in Jul-23 contributed to moderating the view of aggressive cuts ahead.

In a decision that was not expected by the market due to its magnitude, the MoF announced that it will sell dollars for up to USD 2 bn per month (150 mn per day) until Dec-23. Under this scenario, the MoF will sell ~USD 16 bn this year, noticeably higher when compared to last year (USD 6 bn). The announcement led to an appreciation of the CLP, but the impact was short-lived. The USD sales by the MoF are completely discretional with no clear seasonal pattern and are subject to modification, and the daily sales have been easily absorbed by market participants.

According to our models, controlling for the price of copper, the global dollar, the interest rate differential, political and financial risk and local and external inflation, among others, the fair value of the USDCLP is between 840-860, below the current spot level. In the very short run, we cannot rule out the FX reaching a level above 900 amid foreign investors that continue to see peso weakness due to the interest rate differential, disappointing China data and lower terms of trade. Going forward, if the current levels hold up, we expect inflation to surprise to the upside in the short term (particularly in the goods component), a more explicit hawkish tone from the BCCh and the authority to reduce or momentarily pause the FX purchases. A Fed easing cycle seems to have low probability for now, though we cannot rule out surprises. In this context, we expect the USDCLP to be at 860 in Dec-23 and 810 in 2024.

NDF (USD bn) and USDCLP



USDCLP fair value based on fundamentals

Sources: BCCh, Bloomberg, Credicorp Capital

In Colombia, the current account deficit has shown a significant improvement, reducing concerns and providing support to the COP.

Colombian Peso (COP): External accounts are more supportive, but local and external risks demand caution. The adjustment in the current account balance that started in 1Q23 continued in 2Q23, reaching a deficit of 3% of the quarterly GDP, equivalent to a reduction of 2.5 pp versus a year ago. With this result, the CAD stood at 3.6% of GDP in 1H23, well below the 5.9% figure observed in 1H22. The adjustment so far this year has been primarily led by the strong reduction of imports amid the significant slowdown in domestic demand and lower external freight costs, in line with our expectations. On the financial account side, FDI fell by USD 478 mn versus 1H22, reaching a still high USD 9.6 bn (5.8% of the semestral GDP). Finally, after posting an annual record high of USD 6.6 bn in 2022, the outflows from resident households and non-financial companies amounted to USD 480 mn in 1H23, reflecting an improvement in sentiment. All-in, after these results and considering a larger than previously expected contraction in domestic demand this year, we recently cut our CAD forecasts from 4.1% to 3.8% of GDP for 2023 and from 4.4% to 4.1% of GDP for 2024. Importantly, we estimate that net direct investment will fully cover the CAD this year.

We prefer to remain on the conservative side for now until more clarity is obtained on both the external and domestic backdrops, and thus we continue to assume that the FX will stand around USDCOP 4,300 at the end of the year.

At the time of the writing of this report, the COP remains as the best performing currency worldwide YTD. As we have pointed out in previous reports, political events so far this year and the developments around the most sensitive reform proposals of the government seem to have improved market sentiment, thus allowing local financial assets to behave more in line with global trends and with their traditional large beta. That said, another set of internal situations has been critical in the COP appreciation observed in the last few months, in our view. Firstly, we highlight that a rebalancing in the portfolios managed by the AFPs in favor of local assets could have contributed to this behavior during 1H23. Secondly, and perhaps more importantly, the local monetary market has experienced pressure in such a way that it can be affirmed that in relative terms there is a "COP squeeze." In line with the aforementioned, Superfinanciera data reveals that so far this year, the relative weight of local public debt in the portfolios managed by the AFPs has increased by ~6.3 pp to 34%, while the weight of investments in international equities has decreased by ~4.3 pp to 24.7%. At the same time, the net balance of forward operations decreased sharply by ~USD 2.2 bn, which potentially increased the supply of USD by a similar amount in the market. For its part, in recent months, the derivatives market has presented a condition that cannot be considered normal as the observed implicit devaluation far exceeds the theoretical devaluation. This leads to a significant increase in the cost of adopting currency-hedging operations, while increasing the interest of agents in selling USD in the futures and spot markets.

Recent developments and volatility are a reminder of the high beta status of the COP. In a scenario where the risk premium descends and the global dollar shows a depreciation trend ahead, the USDCOP could reach levels close to 3,850 in the coming months (the positive scenario). That said, after an accumulated FX appreciation of almost 20% from its peak, we recommend maintaining a cautious approach as we believe external risks remain elevated, while domestic uncertainty is set to continue to be high in the upcoming months. All in, we prefer to remain on the conservative side for now until more clarity is obtained, and thus we continue assume the FX will stand around USDCOP 4,300 at the end of the year. This view also implies that any fall in the FX near or below USDCOP 4,000 may be a good opportunity to buy USD with a medium-term horizon.

Peruvian Sol (PEN): Lower current account deficit while short-term capital outflows stop. In 2Q23, the current account registered a surplus of 0.7% of GDP, the first positive balance in 11 quarters. With this result, the 4-quarter-rolling current account deficit decreased from 3.0% of GDP in 1Q23 to 1.9% of GDP in 2Q23 amid a notable increase in the balance of trade surplus in response to better terms of trade (+3.5% y/y in 2Q23), lower imports and a lower deficit in the balance of services, to a lesser extent.

In Peru, we expect the current account deficit to stand at a very low 1.0% of GDP in 2023 amid a context of weak domestic demand.

As of Jun-23, the balance of trade registered a 12-month-rolling surplus of USD 13 bn, the highest print in a year. Nonetheless, compared to 2022 closing figures, exports declined 1.2% in annualized terms (traditional: -2.3%; non-traditional: +1.5%), whereas imports fell 6.2% (raw materials and intermediate goods: -10.8%; capital goods: -3.0%). For 2023, we foresee a trade balance surplus near USD 15 bn.

In 2Q23, the annualized financial account deficit represented 4.0% of GDP (1Q23: 4.2% of GDP). Even though direct investment remained sizeable at USD 1.4 bn, portfolio investments abroad (especially from pension funds) represented USD 0.9 bn (1Q23: USD -0.4 bn). Importantly, net short-term capital flows were positive (inflows) at USD 628 mn, the second positive quarter in a row.

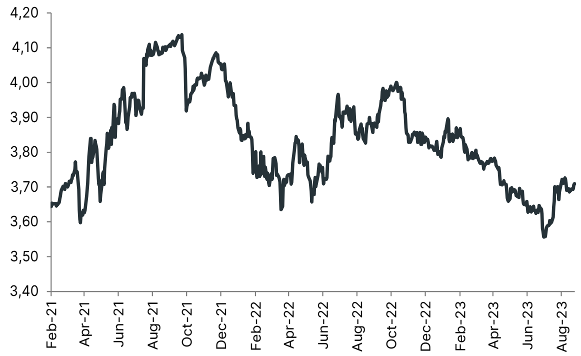
All-in, we expect the current account deficit to stand at 1.0% of GDP in 2023 amid a context of weak domestic demand. The current account deficit levels are clearly sustainable for Peru.

We expect the USDPEN exchange rate to stand between 3.70 and 3.75 in both 2023 and 2024.

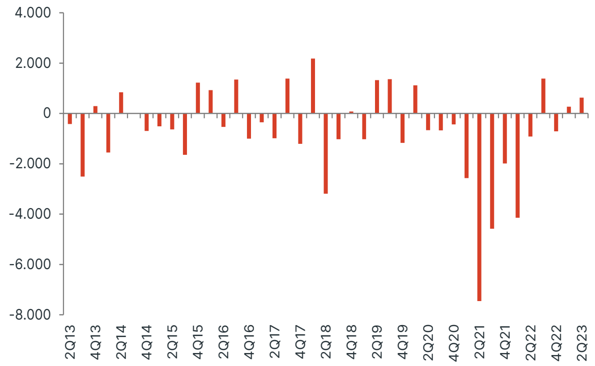
At the time of writing this report, the PEN had appreciated 2.5% YTD. The central bank's intervention in the FX market has remained moderate as the outstanding level of FX swaps (sales) stands near PEN 33 bn (Dec-22: PEN 38 bn). In addition, net international reserves amount to USD 72.8 bn (YTD: USD +0.9 bn), whereas its FX position totaled USD 50.1 bn (YTD: USD -2.0 bn).

We expect the USDPEN exchange rate to stand between 3.70 and 3.75 in both 2023 and 2024. In the upcoming quarters, the key rate spread between the BCRP and the Fed will start to narrow (currently at 225 bps), which could generate depreciation pressures on the PEN. Nonetheless, these potential depreciation pressures will be mostly offset by the strong external account balances in Peru underpinned by favorable copper prices (YTD 2023 average: USD/lb 3.91) and weak domestic demand.

Exchange rate (USDPEN)



Net short-term capital flows (USD bn)



Sources: BCRP, BCP, Credicorp Capital

Political uncertainty has decreased, but the outlook is far from clear

Chile is the country where the reduction in political and regulatory uncertainty has been more evident.

Undoubtedly, political risks have decreased so far this year amid the perception that the likelihood of approval of radical proposals has fallen compared to a year ago. Chile is the country where the reduction in political and regulatory uncertainty has been more evident after the rejection of the constitutional plebiscite in Sep-22 as this result has caused us to believe that a moderate and minimalist new constitution will be the most likely outcome of the ongoing constitutional process. In addition, the setback for the government caused by the result of the Sep-22 plebiscite led to the rejection of an ambitious tax bill in Congress and to slow progress for other important reforms with the opposition increasingly demanding more moderate proposals, especially after the victory of the right-wing parties in the election of the Constitutional Council members in May-23.

In Colombia, the slow progress of the President Petro's main reform proposals amid the breakdown of the government coalition in Congress back in Apr-23, strong evidence that checks and balances are working properly and an ongoing investigation into alleged irregular financing of the presidential campaign are all factors that have led to lower pessimism, especially among local players and investors.

In Peru, a significant reduction in political instability has been observed after the strong social tensions observed in Dec-22 and the first months of 2023 following the ouster of former President Pedro Castillo; in fact, the more stable political backdrop and relationship between the executive branch and Congress has been reflected in the fact that no censure motions have been presented against any minister of the Boluarte administration.

That said, several factors are set to keep political and regulatory uncertainty at unusually high levels.

Having said all this, the political outlook is far from clear for the Andeans as, for instance, the constitutional process in Chile is not exempt from risks, while the government continues to insist on significant changes to the tax and pension systems. In Colombia, the discussion of major reforms will continue in the next few months, the government has taken measures in some sectors that have raised concerns, and regional elections will take place on October 29th. Finally, in Peru, the low popularity of both President Boluarte and Congress may mean that the current equilibrium is fragile in a context in which part of the population keeps demanding early elections and larger social spending, while the El Niño phenomenon puts strong pressure on the government for the rapid execution of committed resources to handle it; likewise, some political parties have continued to put on the table new proposals to allow withdrawals from AFPs.

Chile: Marginal progress on structural reforms; new constitution could be rejected

Political risk has continued to narrow after the constitutional plebiscite of Sep-22 and the majority obtained by right-wing parties in the new process.

Political risk has continued to decline after the constitutional plebiscite of Sep-22 and the majority obtained by right-wing parties in the new process. Regarding the tax reform agenda, the government presented a fiscal pact for USD 8 bn (2.7% of GDP), which includes state reform measures and initiatives to boost investment, productivity, and growth as well as two tax bills, one aimed at fighting evasion and avoidance and another with incentives for formalization and benefits for the middle class. The pact considers collecting resources from economic growth, spending efficiency, inspection and higher taxes. The administration said that the pact will not insist on either wealth taxes or retained earnings taxes, while the spending initiatives will be focused on pensions, health and national security, among other issues.

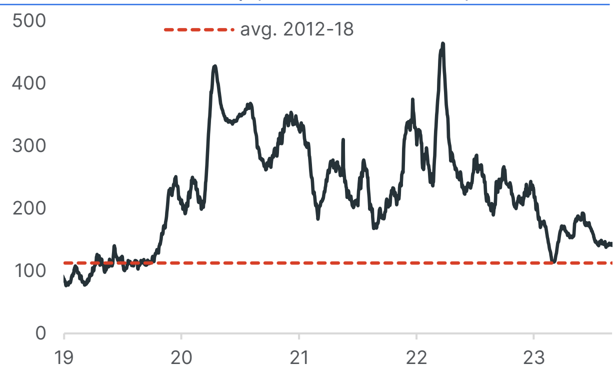
However, the opposition is skeptical. Right-wing parties argue that few details about the pact were provided and that the political context is inadequate to announce a fiscal pact given the current investigation into foundations possibly linked to misappropriation of public funds. In this context, we continue to expect an intense negotiation process in Congress.

On the constitutional front, the process has continued to evolve in an orderly manner and with a low risk of a maximalist proposal and major institutional changes. The initial draft preserves Chile's strong institutional framework, including the central bank's independence, the principle of fiscal responsibility and the President's exclusive right to propose financial and budgetary changes. However, the risk of failure of the process is relevant as different polls continue to suggest that ~55% of respondents will vote for the rejection option in the Dec-23 plebiscite. There is evidence of natural exhaustion with the process among the population. At the same time, the discussion has not gained traction amid political polarization and considering that social priorities seem to have migrated from structural to conjunctural topics. In this context, political uncertainty has continued to decline despite the risk of social discontent.

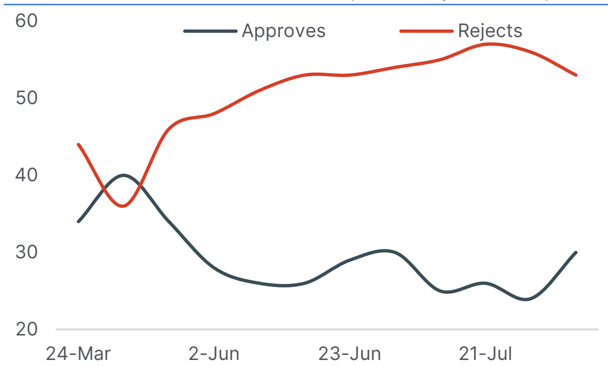
According to political polls, around 55% of respondents will reject the new constitutional proposal.

Finally, after its announcement in 4Q22, little progress has been seen in the discussion of the pension reform. The government recognizes that the initiative does not have sufficient votes to be approved in Congress. Controversial topics include notional accounts, individual/solidarity pillar and the role of the state. We expect a significant moderation in the proposal before it is approved.

Political uncertainty (index Jan-12 = 100)



Stance on the new constitution (% of respondents)



Sources: BCCh, CADEM, Credicorp Capital

Colombia: Removing layers of pessimism gradually?

We believe that local players are granting a higher probability to the scenario in which the most sensitive reforms are watered down.

Undoubtedly, the election of Gustavo Petro as the first leftist President in the country's history raised concerns, especially considering his intention to materially increase the role of the state in the economy (e.g., in social security), intervene in prices in some sectors (e.g., electricity and toll road rates) directly or through import tariffs and, importantly, halt the awarding of new oil and gas exploration contracts. However, it seems that the level of pessimism has fallen in recent months, which has been reflected in the performance of domestic financial assets, especially in the FX and local rates. In addition, after posting an annual record high of USD 6.6 bn in 2022, outflows from resident households and non-financial companies amounted to USD 480 mn in 1H23, possibly reflecting improving sentiment. Overall, we believe that local players are granting a higher probability to the scenario in which the most sensitive reforms are watered down or even not approved at all due to several factors and recent developments.

- *The government has no coalition in Congress*. Recall that President Petro broke the coalition in Congress back in Apr-23 due to the difficulty in securing the approval of his main reform proposals. Although President Petro recently called for a national agreement, his administration has not yet built a majority in any chamber in Congress.

- *In addition, President Petro has lost most of his closest allies in recent months.* Due to several factors ranging from abuse of power and influence peddling to legal issues and internal disagreements within the government, key figures for the President including Laura Sarabia (former Chief of Staff), Carolina Corcho (former Minister of Health), Irene Vélez (former Minister of Mines and Energy), Roy Barreras (former President of Congress) and Armando Benedetti (former Ambassador to Venezuela) had to leave their posts.

The government has no coalition in Congress, President Petro has lost several allies, and his disapproval rate has almost tripled.

- *The scandal around President Petro's son may divert the attention of the government and affect the electoral results in some regions*. Recall that Nicolas Petro is under arrest amid investigations into alleged illicit enrichment and money laundering during the period of the presidential campaign. Although the most recent information suggests that apparently President Petro did not know about his son's actions, the investigations regarding possible irregular financing of the presidential campaign are likely to affect the normal functioning of the government, its relationship with Congress and the performance of the ruling party in the upcoming regional elections considering, among other factors, that Nicolas Petro has been an important political figure in the northern part of the country.

- *According to Invamer, 61% of the population does not agree with President Petro's main reform proposals*. We highlight that in the case of the health reform, 64% of the population believe that the system should have only some adjustments, while 29% support a total change. Recall that the health reform is one of the most controversial and that three major intermediaries (EPSs) in the system recently issued a warning about a potential financial crisis due to several factors including alleged delays in the payment by the government of debts related to Covid-19, reimbursements, licenses and disabilities. According to the companies, this could affect 13 mn people.

- *Security conditions have deteriorated in some regions*. In the context of the government's goal of achieving a comprehensive peace agreement with illegal groups, a non-negligible deterioration of some security indicators has been observed, including kidnappings, extortion and robbery. While this could have an effect on private investment, a political impact could also be observed if conditions continue to worsen, especially considering that the largest deterioration in security conditions has occurred in the most remote regions of the country.

Several developments have supported the view that checks and balances are strong.

- *President Petro's approval rate has stabilized at ~30%, but his disapproval rate remains high.* Most recent polls continue to show an approval rate in the 30-35% range, while the disapproval rate remains at ~60%, roughly three times the level observed a year ago when President Petro took office. This may explain to some extent the fact that low attendance has been observed at the demonstrations that he has called for in support of his proposed reforms. In any case, the true 'poll' will take place on October 29th when regional and local elections will be held. The final outcome is set to be key for the governability of President Petro for the remainder of his term. Currently, three out of the four major cities have a leftist mayor (Bogota, Medellin and Cali). Bogota will have a runoff for the first time.

- *Institutions are clearly working.* This has been reflected in the slow progress of the health and the pension reforms in Congress as well as in the failure of both the political and the labor reforms in 1H23, the suspension of the decree to intervene in the utility sector regulation by the State Council, the announcement of the Constitutional Court that it will be able to suspend laws approved by Congress that are clearly unconstitutional and the Attorney General's decisions aimed at avoiding strong changes to illegal groups' legal conditions amid the goal of the government of a comprehensive peace process, among other factors.

Below, we present the current status of the main reforms and proposals.

- *Health reform:* This remains the most controversial proposal as it seeks a comprehensive adjustment of the current system, including a significant change in the role of the EPSs (the companies that act as insurers and guarantee the access of the population to the system). The bill was approved in May-23 in first debate in commissions in the Lower House, and it is now in the plenary of this chamber for discussion. This chamber has proposed crafting a new text with the participation of all political parties and the players of the health sector. Recall that this reform must be approved in four debates to become law. In addition to the warning issued by the EPSs regarding the possibility of a financial crisis of the health system, attention will be focused on the discussion of the potential fiscal costs of the reform.

The progress of President Petro's major reforms remains very slow.

- *Labor reform*: Recall that this reform failed in 1H23 as it did not manage to have the first debate before the end of the previous legislature, meaning a strong hit to the government. Although the discussion must start from scratch, the government decided to submit the bill to Congress again, maintaining the core proposals of the initial text, and thus it is set to be discussed in first debate in the Lower House during the next few weeks. The debate will be intense in a context in which business leaders have affirmed that the reform was not discussed with them and considering that some estimates suggest that it could increase labor costs for companies by 12-15%.

- *Pension reform:* The bill was approved in Jun-23 in first debate in commissions in the Senate, and its discussion in second debate in plenary is expected to start in the upcoming weeks. As we have noted in previous reports, the last version of the proposal strengthens the saving fund. Some estimates suggest that the new proposal would increase the size of the fund in comparison to the initial draft. Hence, the saving fund would offset the expected lower investment in the TES market by AFPs in the upcoming years as its annual size would be even larger than the annual amount of TES bought by AFPs in recent years (according to our estimates, AFPs have absorbed ~30% of annual TES issuances in the last ten years on average or ~0.7% of GDP). Thus, the new version of the reform implies that some additional resources would be available to invest in other asset classes. In addition, the current draft also establishes that the saving fund would be managed through an independent state of assets or trusts in AFPs, trust companies or insurance companies chosen by public tender. However, there is a consensus that the reform is set to have a strong impact on fiscal accounts in the long term as the new system would primarily have a pay-as-you-go structure, meaning a lower financial capacity over time as the population pyramid changes.

Some decisions on the infrastructure, housing and energy sectors have raised concerns.

- *Energy, infrastructure and housing sectors in the spotlight*: While the government has maintained its policy of not awarding new oil/gas exploration contracts, President Petro has suggested in several scenarios his intention to present a reform to the electricity system, which has continued to raise concerns in the sector. Additionally, the government froze toll road rates in Jan-23, creating additional fiscal pressures as the government must compensate concessionaries and raising questions about the financing of future projects. Finally, the government decided to change the subsidy to the purchase of social-interest housing (VIS), which significantly affected the sector in 1H23. Undoubtedly, clarity on these matters is a key factor for the future behavior of private investment.

Under this context, political noise and uncertainty are likely to remain high going forward.

Under this context, political noise and uncertainty are likely to remain high ahead. Attention will be on: i) President Petro's strategy for securing the approval of his most important reforms and thus his relationship with Congress, ii) the potential reconfiguration of the political backdrop amid regional elections and iii) the progress of investigations following the recent scandals. In addition, we continue to think that demonstrations are a key factor to monitor going forward amid the historic polarization in the country. While it seems that the likelihood of seeing massive demonstrations supporting government reforms that put pressure on Congress to approve them is rather low currently, we all know that social and political conditions can change quickly.

Peru: Political noise has subsided, though the government and Congress have low approval ratings

The better relationship between the government and Congress is partly explained by the more technical profile of the ministers appointed by President Boluarte.

After the failed coup attempt by former President Castillo in Dec-22 and the subsequent constitutional succession by Dina Boluarte, who was the Vice President at the time, the level of confrontation between the government and Congress has decreased significantly, which seems to be an implicit agreement between both institutions to continue their respective mandates until 2026. Thus, the debate about possible early elections is not currently on the agenda of Congress, despite the request of some groups of the population that carried out new protests in various parts of the country in Jul-23, though with a lower impact than what was registered in the first few months of the year. The better relationship between the government and Congress is also partly explained by the more technical profile of the ministers appointed by President Boluarte, which has resulted in few complaints from Congress about them or their policies. Likewise, the probability of proposals for radical changes to the economic model by the government has decreased and, on the contrary, a greater promotion of private investment has been observed, particularly in infrastructure and mining. That said, both the government and Congress have low approval ratings (14% and 10%, respectively, according to the latest Ipsos poll in Aug-23), which could motivate some new populist proposals, particularly by Congress, such as new AFP withdrawals.

The economic commission of Congress approved a proposal to reform the national pension system. Said proposal establishes that the contributors to the public system will have individual capitalization accounts and will be able to migrate to the private system, and vice versa. It also includes the possibility that other financial entities can participate in the pension system, with a fixed commission to cover the fixed costs of the service providers, plus a variable commission linked to profitability; the bill also sets the obligation to contribute for all those of legal age, with supplementary contribution schemes by the government and a minimum pension amount. The discussion of this proposal in the plenary session of Congress is still pending, so the other proposal that the government has indicated that it will also present could be included in part. While this is happening, the risk of bills aimed at new AFP withdrawals persists, though it should be noted that the account balances of the people who would need it the most are now very small, if not nil.

President Boluarte has recently put forth proposals to combat crime and corruption, to improve public health and education and for some political reforms.

Looking forward, President Boluarte has recently put forth proposals to combat crime and corruption, to improve public health and education and for some political reforms. To achieve these goals, President Boluarte asked Congress to delegate legislative powers to the executive branch for a term of 120 days, with which she hopes to produce a total of 50 regulations, including 33 aimed at reducing crime, 10 related to the development of productive infrastructure, six to address the negative effects of the El Niño phenomenon and one to improve the quality of state human resources. Regarding the political reforms, they will be aimed at strengthening democracy through better representativeness of members of Congress and a possible return to bicameralism in Congress; also, the proposals would allow a better re-assessment by Congress of bills with a negative opinion from the government.

In the education sector, the focus will be on meritocracy and the improvement of the teaching career.

About the measures to combat crime and corruption, President Boluarte announced: i) the construction of two new penitentiaries, ii) the presentation of bills to reform the penal code to strengthen the fight against corruption within the prison system and to expel foreigners who commit crimes, iii) a bill to address the lack of personnel in the national police force with the incorporation of thousands of young people and iv) a bill to implement a model to prevent acts of corruption in all state entities.

Finally, in the education sector, the focus will be on meritocracy and the improvement of the teaching career. If the government obtains the Congress's support to implement said proposals, which could materialize at least in part considering the better relationship between the branches of government, it will have a positive impact on the business environment and long-term growth prospects.

	Chile	Colombia	Peru
Positives	▪ Substantial decline in political uncertainty. ▪ Higher mining CAPEX commitments after the resolution of the royalty discussion. ▪ Strong fiscal and debt metrics when compared to peers. ▪ Relevant progress on the resolution of economic imbalances with inflation expected to go back to 3% by 2H24. ▪ Credible inflation targeting and monetary policy regimes amid solid economic institutions. ▪ Commitment to continue solving the social crisis through the institutional channel. ▪ Some degree of progress in structural issues linked to universal pension, minimum wage, mining royalty, and working hours.	▪ Economic activity still remains 9% above pre-pandemic levels and 3% above pre-Covid-19 trend growth. ▪ Annual inflation has accumulated five months of reduction from its peak of 13.3% y/y in Mar-23, leading to a non-negligible reduction of inflation expectations. ▪ Lower economic growth and expected lower inflation to allow the BanRep to start an easing cycle, which we expect to be deep, especially in 2024. ▪ Minister Bonilla has reaffirmed the government's commitment to fiscal responsibility and fiscal metrics are expected to continue improving this year. ▪ Domestic pessimism appears to have fallen recently amid lower political noise.	▪ Macroeconomic fundamentals remain healthy amid low levels of public debt and fiscal deficits. ▪ Core inflation to reach the ceiling of the BCRP's target range (3%) by year-end. ▪ External accounts to remain at very favorable levels while short-term capital outflows have stopped, a signal of lower domestic uncertainty. ▪ More stable political backdrop and lower social tensions in recent months. ▪ Some improvement in business confidence. ▪ The BCRP is set to start an easing cycle in the upcoming months. ▪ Plenty of resources have been committed by the government to foster economic growth and handle El Niño event.
Negatives	▪ Political polarization. ▪ Constitutional discussion continues wide open. ▪ Weakening of the capital market and the long-term saving rate amid successive pension fund withdrawals. ▪ Weak long-term GDP growth amid low productivity and investment rates. ▪ Limited progress of structural reforms including pension, health, and tax system. ▪ Higher interest rates and FX volatility.	▪ Political and regulatory uncertainty remains at unusual high levels amid the discussion of major reform proposals and some government measures in specific sectors that have raised concerns. ▪ Investment is showing its worst performance since 1999, creating concerns around the possibility of lower potential growth in the future. ▪ Fiscal risks remain acute with the CARF warning on the possibility of the breaching of the Fiscal Rule in 2024. ▪ Deterioration in security conditions in some regions.	▪ The economic still feeling the effect of several shocks, including El Niño Costero, which has led to systematic downward revisions to GDP estimates this year. ▪ Despite the recent improvement, business confidence remains at low levels and private investment accumulates four quarters of contraction. ▪ Never-ending inefficiencies to execute public resources. ▪ Higher likelihood of not complying with fiscal deficit rules amid optimistic assumptions from the government on both the revenue and expenditure side.
Factors to watch	▪ The constitutional process. ▪ Tax and pension reform discussion. ▪ Weak economic growth and labor market as potential catalysts of social discontent ▪ Presidential approval. ▪ Fiscal consolidation process. ▪ Increasing concerns about public safety.	▪ The outcome of the regional elections (October 29th). ▪ Progress of the main government's reform proposals. ▪ Relationship between the government and business associations. ▪ The intensity of the expected El Niño event. ▪ Comments from rating agencies after the warning issued by the Autonomous Fiscal Rule Committee on the risks to fiscal accounts.	▪ The relationship between the government and Congress. ▪ The developments around El Niño phenomenon and its potential intensity. ▪ The speed of execution of the committed resources to handle El Niño. ▪ Progress of the reform proposals (e.g., pension and political reforms). ▪ AFPs withdrawals discussions.

Credicorp Capital's macroeconomic forecasts 2023-2024

	2020	2021	2022	2023E	2024E	2020	2021	2022	2023E	2024E	2020	2021	2022	2023E	2024E
Nominal GDP (USD bn)	254,9	316,5	301,4	344,7	384,2	270,1	318,6	343,7	357,2	383,3	205,8	225,8	244,8	267,5	282,5
Real GDP (y/y)	-6,1	11,7	2,4	-0,3	2,3	-7,3	11,0	7,3	1,3	2,2	-11,0	13,3	2,7	0,6	2,0
Real domestic demand (y/y)	-9,4	21,7	2,3	-3,0	1,4	-7,5	13,4	9,4	-1,8	1,8	-9,8	14,5	2,3	-0,8	2,1
Real total consumption (y/y)	-6,6	19,3	3,1	-3,5	2,0	-4,1	13,6	7,8	2,0	2,0	-7,3	12,1	2,5	1,0	2,0
Real gross investment (y/y)	-17,8	29,9	-0,3	-1,0	0,3	-21,1	12,6	16,8	-19,0	0,8	-16,2	34,6	1,0	-5,3	2,4
Real exports (y/y)	-0,9	-1,4	1,4	1,2	4,8	-22,7	15,9	14,8	2,6	3,2	-19,7	13,2	6,1	4,3	2,0
Real imports (y/y)	-12,3	31,8	0,9	-9,6	3,0	-19,9	26,7	22,3	-12,5	2,6	-15,8	18,0	4,4	-1,2	2,5
Inflation (%, eop)	3,0	7,2	12,8	4,0	3,0	1,6	5,6	13,1	9,0	4,5	2,0	6,4	8,5	4,0	2,7
Reference rate (%, eop)	0,50	4,00	11,25	8,00	5,00	1,75	3,00	12,00	12,50	7,50	0,25	2,50	7,50	6,75	4,50
Fiscal balance (% of GDP)*	-7,4	-7,6	1,1	-2,2	-2,1	-7,8	-7,1	-5,3	-4,3	-4,5	-8,9	-2,5	-1,7	-2,5	-2,5
Public Debt (% of GDP)*	33,0	36,0	37,3	38,3	41,0	65,1	63,0	61,1	61,5	62,2	34,6	35,9	33,8	33,7	33,4
Exports (USD bn)	74,0	94,8	98,5	97,0	99,8	32,3	42,7	59,6	53,7	56,3	42,8	63,0	66,2	65,0	65,9
Imports (USD bn)	55,1	84,3	94,7	82,4	88,0	41,2	56,7	71,7	61,6	65,3	34,7	48,0	55,9	50,2	51,4
Current account balance(% of GDP)	-1,9	-7,5	-9,0	-3,5	-3,8	-3,5	-5,7	-6,3	-3,8	-4,1	1,1	-2,2	-4,0	-1,0	-1,2
International Reserves (USD bn)	39,2	51,3	39,2	37,3	43,3	59,0	58,6	57,3	57,5	57,3	74,7	78,5	71,9	74,0	74,0
Exchange Rate (eop)	711	850	860	860	810	3.416	4.039	4.810	4.300	4.500	3,62	3,99	3,81	3,70	3,70
Exchange Rate (average)	792	750	872	835	810	3.693	3.720	4.256	4.400	4.450	3,50	3,89	3,84	3,73	3,70

ANNUAL INVESTOR GUIDE 2024.

This page has been intentionally left blank

04

VALUATION SUMMARY

CredicorpCapital

CHILE

Chile

						ADTV		P/E		EV/EBITDA		P/BV	Div Yield.	ROAE		ROAA	
Company	**Sector**	**Px Last**	**Px Target**	**Rating**	**Mkt. Cap**	**Local**	**ADR**	**2023E**	**2024E**	**2023E**	**2024E**	**LTM**	**2024E**	**2023E**	**2024E**	**2023E**	**2024E**
Aguas Andinas	Water Utilities	282	295	HOLD	1,892	2.2		11.3	10.5	8.7	8.3	2.0	8.9%	17.8%	18.7%	6.3%	6.5%
Andina	Food & Beverage	2,070	2,550	HOLD	2,025	2.3	0.4	13.0	10.3	5.4	5.2	2.3	6.3%	17.3%	20.3%	5.0%	6.2%
AntarChile	Conglomerates	7,100	8,100	HOLD	3,635	0.4		11.2	7.7	8.0	6.4	0.5	3.6%	4.2%	5.8%	1.1%	1.6%
Banco de Chile	Banks	89	102	HOLD	10,071	9.8	3.1	7.8	9.3	nm	nm	1.8	8.8%	22.9%	17.9%	2.1%	1.7%
Banco Santander	Banks	40	50	BUY	8,431	6.9	8.4	13.7	9.8	nm	nm	1.8	4.4%	13.0%	16.9%	0.8%	1.1%
BCI	Banks	24,148	33,000	BUY	5,162	3.4		6.8	7.4	nm	nm	0.8	3.9%	12.9%	11.8%	0.9%	0.9%
Besalco	Cement & Construction	440	510	HOLD	284	0.1		8.4	9.4	4.5	5.1	0.9	3.5%	11.4%	9.6%	2.9%	2.5%
CAP	Mining	5,710	7,500	HOLD	957	1.6		nm	8.5	4.6	4.8	0.4	0.0%	-1.4%	5.0%	-0.5%	1.7%
CCU	Food & Beverage	6,090	7,400	HOLD	2,525	1.7	2.3	15.4	12.6	7.4	6.5	1.7	5.0%	11.0%	13.0%	4.1%	4.9%
Cencoshopp	Real Estate	1,426	1,800	BUY	2,729	1.4		12.9	11.7	10.9	10.4	0.9	4.6%	6.9%	7.5%	4.6%	4.8%
Cencosud	Retail	1,748	2,600	BUY	5,566	7.9		8.9	9.8	6.5	6.6	1.4	7.2%	15.1%	13.2%	4.2%	3.8%
CMPC	Pulp & Paper	1,539	1,900	BUY	4,317	3.8		9.7	12.3	6.1	6.1	0.5	2.9%	5.5%	4.2%	2.6%	2.0%
Colbun	Electric Utilities	127	145	HOLD	2,506	2.6		5.2	8.4	4.4	5.2	0.8	11.2%	16.5%	10.0%	7.1%	4.4%
Concha y Toro	Food & Beverage	1,043	1,270	HOLD	874	1.2		13.8	9.6	10.7	7.9	1.0	2.9%	7.2%	9.8%	3.5%	4.8%
Embonor	Food & Beverage	1,294	1,420	HOLD	617	0.3		8.4	7.8	5.3	4.7	1.3	7.1%	15.3%	15.3%	6.5%	6.5%
Empresas Copec	Pulp & Paper	5,931	7,600	BUY	8,649	4.9		16.4	10.6	8.2	6.6	0.7	3.1%	4.3%	6.3%	1.8%	2.7%
Enel Americas	Electric Utilities	99	122	HOLD	11,940	5.5		14.1	4.4	4.6	4.2	0.9	2.1%	6.3%	17.9%	2.5%	7.6%
Enel Chile	Electric Utilities	54	55	UPERF	4,221	5.1	2.6	5.5	8.2	6.4	7.1	0.9	9.1%	15.4%	9.9%	5.5%	3.7%
Engie Energía Chile	Electric Utilities	845	925	HOLD	999	0.8		11.4	8.5	6.1	5.2	0.5	2.6%	4.7%	6.0%	1.9%	2.4%
Entel	Telecom & IT	3,202	3,600	HOLD	1,085	1.1		3.3	9.9	5.0	4.5	0.8	11.7%	13.7%	4.4%	4.1%	1.4%
Falabella	Retail	2,070	2,700	BUY	5,826	8.9		85.8	18.1	12.9	8.4	1.0	0.3%	1.0%	4.6%	0.3%	1.3%
Forus	Retail	1,540	2,000	HOLD	447	0.1		13.8	13.1	6.3	6.0	1.9	4.4%	13.9%	12.9%	9.5%	9.1%
Hites	Retail	110	150	HOLD	46	0.0		nm	6.6	8.7	5.9	0.3	0.0%	-7.1%	4.4%	-2.3%	1.5%
ILC	Conglomerates	5,699	6,400	HOLD	639	0.2		3.8	3.4	nm	nm	2.5	3.5%	nm	nm	nm	nm
Indisa	Healthcare	1,449	1,900	HOLD	229	0.1		176.9	25.5	21.9	11.9	2.1	0.2%	1.1%	7.3%	0.4%	2.8%
Itau Chile	Banks	9,129	12,000	BUY	2,216	2.2		5.2	5.8	nm	nm	0.6	5.8%	10.9%	9.0%	0.9%	0.8%
LATAM Airlines	Transport	8.4	10.5	BUY	5,696	4.2		9.1	10.6	4.2	3.8	21.9	3.3%	189.4%	68.1%	4.6%	3.7%
Mall Plaza	Real Estate	1,282	1,600	HOLD	2,819	0.9		8.5	9.8	11.7	11.0	1.0	2.2%	12.4%	9.8%	6.4%	5.4%
Parque Arauco	Real Estate	1,205	1,800	BUY	1,224	2.1		10.2	9.3	13.1	12.2	0.9	3.2%	9.0%	9.1%	3.5%	3.5%
Quiñenco	Conglomerates	2,670	2,800	HOLD	4,981	1.2		6.4	14.8	nm	nm	nm	18.8%	nm	nm	nm	nm
Ripley	Retail	173	230	HOLD	375	0.6		nm	7.4	43.5	6.6	0.3	0.0%	-4.5%	4.8%	-1.2%	1.3%
Salfacorp	Cement & Construction	423	530	BUY	261	0.3		4.6	6.5	8.3	10.3	0.4	5.3%	9.0%	6.0%	3.0%	2.1%
Security	Banks	220	250	HOLD	997	0.4		4.9	6.8	nm	nm	0.9	12.2%	19.0%	12.7%	1.2%	0.8%
SK	Industrial	1,270	1,600	BUY	1,532	0.1		11.0	9.3	5.9	5.7	1.0	4.3%	9.4%	10.6%	3.0%	3.4%
SM SAAM	Transport	99	110	BUY	1,084	0.5		2.3	24.1	10.1	8.7	1.3	26.9%	46.0%	4.0%	23.9%	2.3%
SMU	Retail	165	240	BUY	1,068	1.0		10.3	8.3	6.6	6.4	1.2	6.8%	11.8%	14.2%	3.9%	4.8%
Sonda	Telecom & IT	395	510	HOLD	386	0.3		11.0	10.9	5.3	5.1	0.7	4.5%	5.9%	5.8%	2.7%	2.7%
SQM	Mining	53,484	57,000	HOLD	16,505	36.7	132.3	6.2	5.5	4.3	3.7	3.4	13.4%	54.6%	54.9%	24.7%	26.2%
Vapores	Transport	56	60	HOLD	3,202	3.8		6.9	14.9	nm	nm	0.4	34.3%	5.7%	2.5%	nm	nm
Chile Sample		5,879	7,000		114,264	123.5		13.2	9.5	6.9	5.9	1.1	7.5%	12.3%	12.7%	2.6%	2.8%

COLOMBIA

Colombia						ADTV		P/E		EV/EBITDA		P/BV	Div Yield.	ROAE		ROAA	
Company	**Sector**	**Px Last**	**Px Target**	**Rating**	**Mkt. Cap**	**Local**	**ADR**	**2023E**	**2024E**	**2023E**	**2024E**	**LTM**	**2024E**	**2023E**	**2024E**	**2023E**	**2024E**
Bancolombia	Banks	25,530	38,500	BUY	6,512	3.1	8.5	4.0	4.3	nm	nm	0.7	13.7%	15.5%	14.0%	1.7%	1.6%
Banco de Bogotá	Banks	25,900	38,000	HOLD	2,307	0.1		5.9	4.3	nm	nm	0.6	8.1%	9.9%	12.9%	1.1%	1.5%
Canacol	Oil & Gas	34,150	45,300	HOLD	292	0.1		3.5	4.0	4.2	3.8	2.1	9.5%	34.1%	28.1%	8.1%	6.8%
Celsia	Electric Utilities	2,250	3,300	HOLD	604	0.1		10.1	6.7	4.4	4.9	0.5	13.8%	4.7%	7.1%	1.5%	2.2%
Cemargos	Cement & Construction	4,105	6,200	BUY	1,339	0.4		24.3	23.7	5.3	5.5	0.6	8.2%	2.3%	2.6%	1.1%	1.2%
Corficolombiana	Conglomerates	11,680	18,500	HOLD	1,066	0.2		2.6	3.0	nm	nm	0.3	13.3%	13.5%	11.2%	3.0%	2.8%
Davivienda	Banks	16,900	25,000	UPERF	1,914	0.4		19.2	4.6	nm	nm	0.5	1.6%	2.5%	10.1%	0.2%	0.9%
Ecopetrol	Oil & Gas	2,396	2,800	HOLD	24,706	4.3	20.6	5.2	5.7	3.6	3.7	1.2	11.5%	21.7%	20.3%	6.3%	6.0%
Éxito	Retail	2,810	-	BUY	915	0.1		29.0	12.2	5.5	5.4	0.5	3.1%	1.8%	4.3%	0.7%	1.7%
GEB	Electric Utilities	1,641	2,400	BUY	3,778	0.3		4.8	4.1	5.9	5.4	0.8	14.5%	15.9%	19.8%	6.7%	7.9%
Grupo Argos	Conglomerates	8,300	11,600	HOLD	1,672	0.3		5.3	5.1	5.1	5.6	0.4	7.8%	6.5%	6.6%	2.5%	2.7%
Grupo Aval	Banks	457	600	UPERF	2,734	0.3	0.3	9.5	7.1	nm	nm	0.7	5.5%	6.9%	9.0%	0.4%	0.5%
Grupo Sura	Conglomerates	31,000	30,200	UPERF	3,972	0.7		7.9	5.8	nm	nm	0.7	3.2%	6.9%	8.9%	2.4%	3.3%
ISA	Electric Utilities	14,300	24,000	BUY	3,972	1.1		6.0	5.2	5.7	5.4	0.9	8.3%	14.4%	16.5%	3.4%	3.8%
Colombia Sample		1,063	1,440		54,868			6.5	5.5	4.8	4.8	0.8	10.5%	10.9%	11.0%	2.0%	2.0%

CredicorpCapital

PERU

Peru																		
						ADTV		P/E		EV/EBITDA		P/BV	Div Yield.	ROAE		ROAA	
Company	Sector	Px Last	Px Target	Rating	Mkt. Cap	Local	ADR	2023E	2024E	2023E	2024E	LTM	2024E	2023E	2024E	2023E	2024E
Aceros Arequipa	Materials	1.14	1.19	HOLD	399	0.0		11.6	10.1	7.6	7.4	0.5	3.5%	4.6%	5.2%	1.9%	2.1%
Alicorp	Food & Beverage	6.24	7.40	HOLD	1,437	0.7		16.7	11.0	8.1	6.9	2.1	2.7%	11.3%	16.4%	2.2%	3.2%
Buenaventura	Mining	8.41	10.10	BUY	2,318	0.0	11.0	24.0	27.0	5.6	5.2	0.8	0.7%	3.2%	2.8%	2.1%	1.8%
Cementos Pacasmayo	Cement & Construction	3.85	4.18	HOLD	483	0.1	0.0	9.1	8.0	6.5	6.1	1.4	8.8%	16.1%	17.5%	6.0%	6.9%
Cerro Verde	Mining	30.00	34.11	BUY	10,502	0.3		11.7	11.1	4.6	4.5	1.5	9.5%	13.4%	14.1%	11.1%	11.7%
Enel Distribucion Peru	Electric Utilities	3.58	4.10	BUY	2,936	0.3		22.1	20.4	11.5	11.0	3.3	1.9%	15.2%	15.1%	7.7%	7.8%
Enel Generacion Peru	Utilities	3.85	3.86	HOLD	1,819	0.2		9.5	8.1	5.9	5.3	3.1	11.5%	32.6%	36.7%	16.5%	18.6%
Engie Peru	Utilities	4.72	6.02	BUY	767	0.1		7.8	7.8	5.3	5.0	0.6	3.8%	8.0%	7.6%	4.1%	4.0%
Ferreycorp	Materials	2.45	2.73	HOLD	627	0.2		5.7	6.3	4.7	4.8	0.9	10.5%	15.9%	13.8%	6.7%	6.2%
Aenza	Cement & Construction	0.60	0.75	HOLD	194	0.1	0.1	nm	10.6	2.8	2.7	0.7	0.0%	-1.3%	6.1%	-0.2%	1.1%
Southern Copper	Mining	80.40	65.41	UPERF	62,158	0.3	85.6	26.0	20.3	13.4	11.1	7.9	3.5%	29.4%	35.6%	13.8%	17.2%
IFS	Banks	22.70	30.00	HOLD	2,621	0.3	1.4	7.3	5.4	nm	nm	1.0	5.5%	13.2%	16.8%	1.5%	1.9%
InRetail	Retail	33.49	43.68	BUY	3,642	0.9		14.7	14.3	8.1	7.5	2.7	4.1%	18.2%	17.1%	4.5%	4.5%
Minsur	Mining	3.90	4.08	HOLD	3,040	0.3		5.7	5.1	4.0	3.6	1.7	11.5%	31.2%	29.5%	11.3%	11.9%
Nexa Resources	Mining	6.07	7.36	HOLD	804	0.0	0.8	nm	7.8	5.8	3.9	0.6	2.4%	-13.1%	8.1%	-3.7%	2.3%
Unacem	Cement & Construction	1.64	1.89	HOLD	806	0.2		5.7	6.1	4.6	4.6	0.5	6.8%	9.4%	8.2%	4.5%	4.1%
Volcan	Mining	0.39	0.40	UPERF	477	0.2		nm	nm	5.5	4.6	1.3	0.0%	-13.2%	-7.7%	-2.4%	-1.3%
Peru Sample		22,782	25,540		95,030	4.2		15.5	14.5	7.0	6.2	3.0	4.6%	15.9%	19.1%	5.8%	7.1%

Ø5

COMPANY SNAPSHOTS

CredicorpCapital

Aceros Arequipa

Rating: Hold
TP: PEN 1.19

Equity Research Peru
Materials

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

Upgrading to HOLD

Investment Thesis

We are introducing our 2024E TP of PEN 1.19/share for Aceros Arequipa, and, as the market price has reached our previous TP of PEN 1.14/share, we are closing our UPERF recommendation on the name and upgrading it to HOLD. Since we made our UPERF recommendation (in Sep-22), the stock has fallen by approximately 17%, while the overall index has increased by 18% in the same period. Furthermore, we believe that the current low steel prices and challenging economic scenario are mostly priced in. Our upgrade from UPERF to HOLD is based on two factors: i) a more lateral behavior expected of the share and ii) growth potential once the third rolling mill becomes operational.

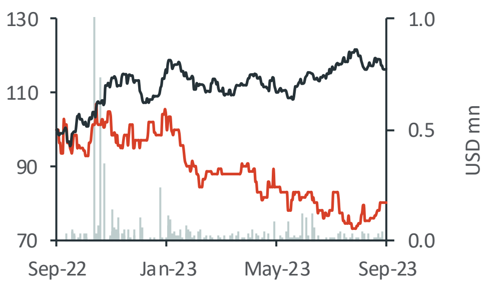
We expect a more lateral behavior of the share. We believe the negative surprises in results could dissipate in the upcoming quarters as we expect some relief in margins due to lower scrap prices. Additionally, we are expecting a lateral behavior in terms of steel prices, with current forward contracts pointing to a 1.1% decline towards Aug-24. We highlight that in our previous update in Sep-22 the fwd curve pointed to a 7.6% drop towards Aug-23, which has already materialized as international rebar prices have dropped 7.4% since then.

We see an upside risk in terms of our top line from the company's rolling mill expansion, which should be ready by 2H24, and round bars for grinding balls business line. The rolling mill should reduce the company's dependence on imported product and shorten lead times, which should lead to a better cost structure. Moreover, we believe the round bars for grinding balls segment could play a more significant role going forward. We believe that the company will start gaining more exposure to the mining sector as the construction sector weakens.

Stock Data

Ticker	corarei1 pe
Price (PEN)	1.14
Target (PEN)	1.19
Total Return	8.1%
LTM Range	1.04 - 1.52
M. Cap (USD mn)	399
Shares Outs. (mn)	182
Free Float	67%
ADTV (USD mn)	0.0

Price Chart (PEN) and Volumes (USD mn)



Valuation

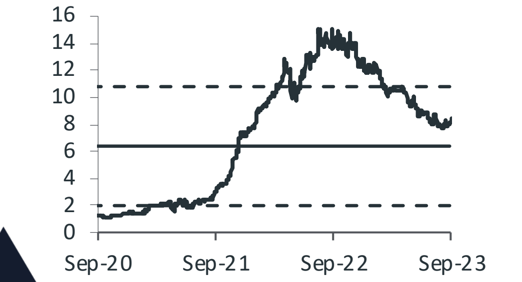
We value Aceros Arequipa with a simplified 10-year DCF model along with a multiple valuation. Cash flows are discounted using a 10.7% WACC as we have updated our CAPM assumptions. The risk-free rate now stands at 3.75%, and the beta and country risk were updated to 1.88 and 2.09%, respectively. Other assumptions include a long-term growth rate of 2.0% and a tax rate of 29.5%. We are forecasting an EV/EBITDA multiple of 7.4x for 2024E, which is slightly below international peers that trade at an average of 8.4x. Moreover, we believe it is trading above its historic average because of its expected increase in scale.

Valuation Summary

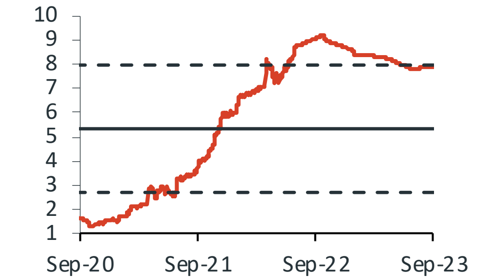
	2022	2023E	2024E	2025E
EV/EBITDA	6.1	7.6	7.4	6.0
P/E	7.4	11.6	10.1	5.4
P/CF	nm	5.9	4.7	3.6
P/BV	0.7	0.5	0.5	0.5
Div. Yield	9.2%	4.1%	3.5%	4.0%

Sources: Company Reports and Credicorp Capital

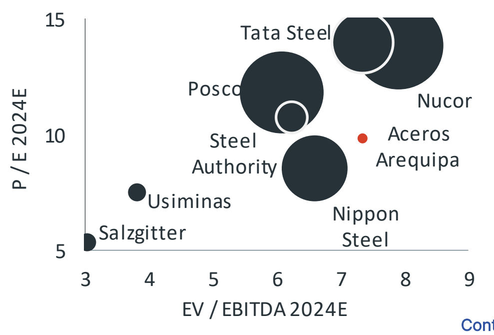
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



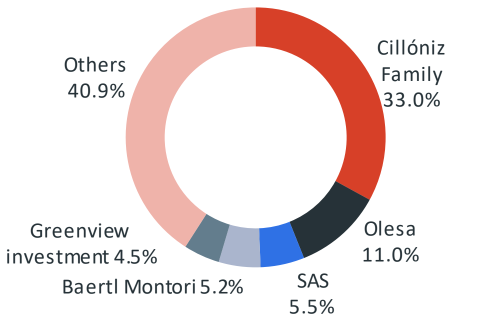
Contents

A. Arequipa

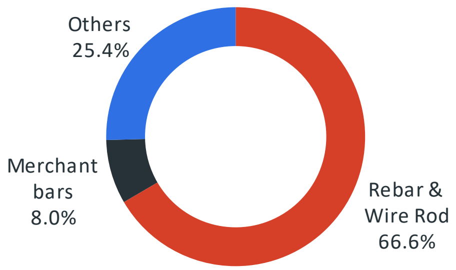
Company Description

Aceros Arequipa produces, distributes and markets steel, iron and other metal products in Peru. The company manufactures construction materials in a production plant in Pisco (south of Lima), which has a total effective installed capacity of 1,250,000 MT/year.

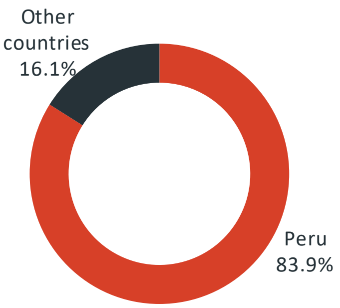
Ownership Structure



Revenue breakdown by product (2Q23)



Revenue breakdown by market (2023E)



Management

CEO: Tulio Silgado
CFO & IRO: Ricardo Guzmán
www.acerosarequipa.com

Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	5,186	5,343	4,915	4,921	4,924
Gross Profit	1,295	783	555	662	783
EBITDA	1,150	691	497	509	630
Net Income	712	242	127	147	271
EPS (PEN)	0.7	0.2	0.1	0.1	0.1
Gross Margin	25.0%	14.6%	11.3%	13.5%	15.9%
EBITDA Margin	22.2%	12.9%	10.1%	10.3%	12.8%
Net Margin	13.7%	4.5%	2.6%	3.0%	5.5%

Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	645	632	559	548	548
Total Current Assets	3,333	3,482	3,348	3,278	3,265
Total Assets	6,312	6,799	6,895	6,871	6,886
Current Liabilities	2,256	2,625	2,578	2,564	2,568
Financial Debt	2,491	3,040	2,930	2,783	2,712
Total Liabilities	3,679	4,070	4,098	3,979	3,900
Minority Interest	0	0	0	0	0
Shareholders Equity	2,633	2,730	2,796	2,892	2,986
Total Liabilities + Equity	6,312	6,799	6,895	6,871	6,886
Net Debt /EBITDA	1.6	3.5	4.8	4.4	3.4
Financial Debt /EBITDA	2.2	4.4	5.9	5.5	4.3
Financial Debt /Equity	0.9	1.1	1.0	1.0	0.9
ROAE	29.2%	9.0%	4.6%	5.2%	9.2%
ROAA	13.1%	3.7%	1.9%	2.1%	3.9%
ROIC	20.0%	7.2%	4.3%	5.1%	7.8%

Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**700**	**645**	**632**	**559**	**548**
Cash Flow From Operation	-366	106	514	367	411
CAPEX	-313	-435	-451	-162	-163
Changes in Financial Debt	1,272	549	-110	-147	-71
Dividends (Paid) Received	-330	-165	-60	-51	-59
Other CFI & CFF Items	-319	-66	33	-18	-118
Changes in Equity	0	0	0	0	0
Final Cash	**645**	**632**	**559**	**548**	**548**
Change in Cash Position	**-56**	**-12**	**-74**	**-11**	**0**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Aenza

Rating: Hold
TP: PEN 0.75 (loc) / USD 3.0 (ADR)

Equity Research Peru
Cement & Construction

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

Wait-and-see mode

Investment Thesis

We are introducing our 2024E target price of PEN 0.75/share and downgrading our recommendation to HOLD. We have a more conservative view based on: i) lower-than-expected results, ii) contingencies and financing pressures related to civil repair that make us prefer to wait to see more consistent profits and iii) a potential capital increase which could put weight on Aenza making it challenging for it to outperform the index in 2024. Despite discounted valuations, we would rather take a wait-and-see approach as we see other companies with clearer earnings growth paths.

The company's operations have not met our expectation, so we are moderating our forecasts. In the energy segment, we believe the barrel production per day could take longer to reach its peak as there have been delays in the campaigns due to climatic phenomena in the past year. Additionally, we believe the Coastal El Niño could potentially impact production in 1H24, contributing to further delays. Moreover, the E&C segment has low levels of backlog for 2025 onwards (USD 61 mn), and we believe the lack of large projects in the pipeline could pressure the results of the segment.

We still see a clouded non-operating line. We believe the company could face some pressure on the financial expenses front related to the fine for PEN 481 mn in civil repair. While the first two annual payments will be made with the bridge loan, we are waiting for more information regarding the rest of the amount. Furthermore, the company has contingencies that are not provisioned. So, we are waiting to see normalization in interest and provisions to become more constructive on the name. On another point, we highlight we should see a potential dilution from increase in capital.

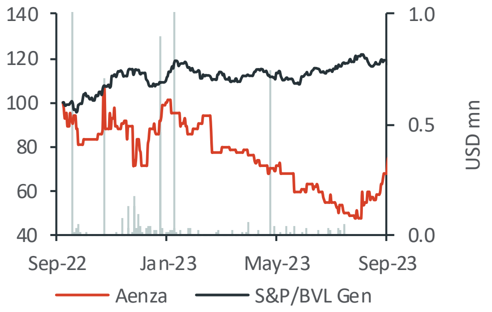
Valuation

We value Aenza with a SOTP in which we take into account the BV of the infrastructure and real estate segments, while we use a DCF approach for the E&C and energy businesses. Moreover, we are incorporating the fine of the civil repair as debt. Note that if the capital increase is approved in Oct-23, the company would recieve cash, which in part would be used to pay financial obligations, and there would be a dilution for shareholders. While we are note incorporating the capital increase in our TP for 2024E, we see a downside risk in terms of valuation.

Stock Data

Ticker	aenzac1 pe
Price (PEN)	0.60 (loc) / 2.5 (ADR)
Target (PEN)	0.75 (loc) / 3.0 (ADR)
Total Return	25.0%
LTM Range	0.40 - 0.90
M. Cap (USD mn)	194
Shares Outs. (mn)	1,197
Free Float	70%
ADTV (USD mn)	0.1

Price Chart (PEN) and Volumes (USD mn)

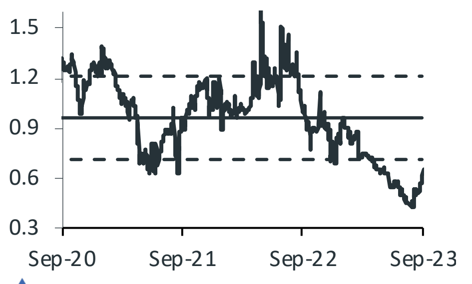


Valuation Summary

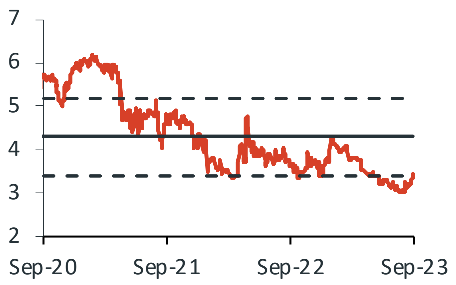
	2022	2023E	2024E	2025E
EV/EBITDA	3.6	2.8	2.7	2.7
P/E	nm	nm	10.6	9.4
P/CF	3.5	1.9	2.7	3.2
P/BV	0.9	0.7	0.6	0.6
Div. Yield	5.7%	7.9%	0.0%	0.0%

Sources: Company Reports and Credicorp Capital

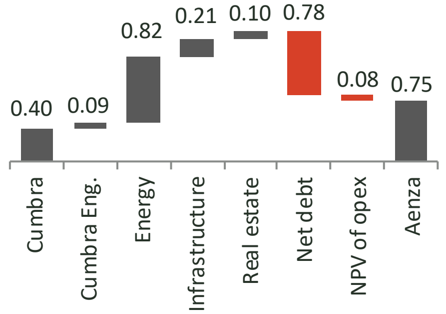
P/E 12M Forward



EV/EBITDA 12M Forward



2024E TP Breakdown

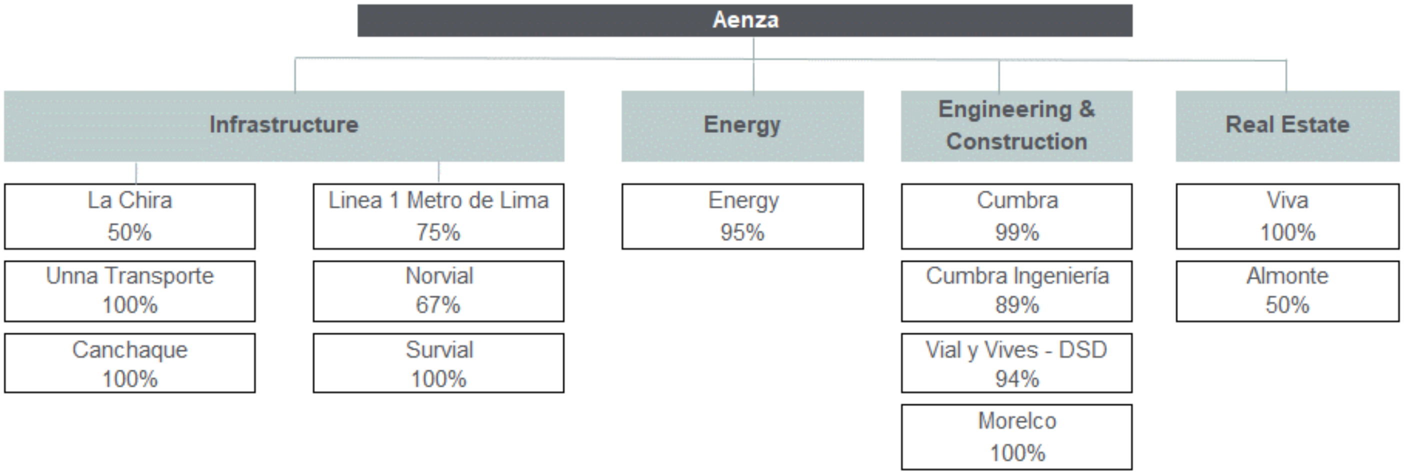


Contents

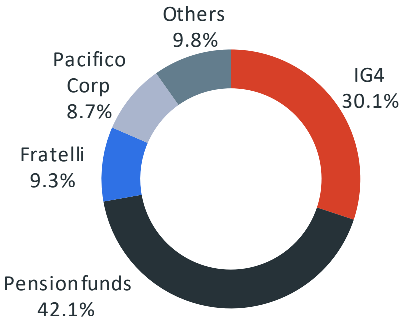
Aenza

Company Description

Aenza is an 88-year old Peruvian group of Engineering and Construction, Infrastructure and Real Estate companies with permanent operations in Peru, Chile, and Colombia. It has been listed on the Lima Stock Exchange since August 1997, and it started to be listed on the NYSE in July 2013.



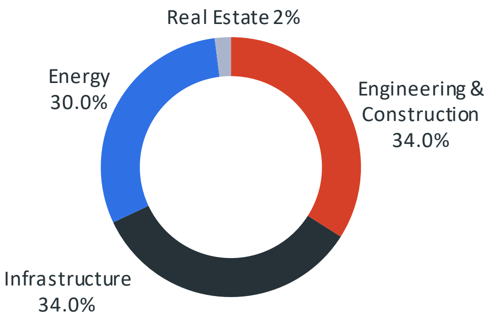
Ownership Structure



Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	4,030	4,336	3,893	4,406	3,869
Gross Profit	397	483	426	493	470
EBITDA	463	576	527	546	550
Net Income	-153	-405	-14	68	77
EPS (PEN)	-0.1	-0.3	0.0	0.1	0.1
Gross Margin	9.9%	11.1%	10.9%	11.2%	12.2%
EBITDA Margin	11.5%	13.3%	13.5%	12.4%	14.2%
Net Margin	-3.8%	-9.3%	-0.4%	1.5%	2.0%

Backlog by business segment (2Q23)



Balance Sheet*

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	957	918	977	1,145	1,273
Total Current Assets	2,892	2,792	2,890	3,202	3,087
Total Assets	5,902	5,921	6,092	6,403	6,288
Current Liabilities	2,327	2,640	2,789	2,950	2,676
Financial Debt	1,841	1,750	1,757	1,757	1,757
Total Liabilities	4,427	4,575	4,731	4,892	4,617
Minority Interest	254	285	290	373	456
Shareholders Equity	1,221	1,062	1,071	1,139	1,215
Total Liabilities + Equity	5,902	5,921	6,092	6,403	6,288
Net Debt /EBITDA	1.9	1.4	1.5	1.1	0.9
Financial Debt /EBITDA	4.0	3.0	3.3	3.2	3.2
Financial Debt /Equity	1.5	1.6	1.6	1.5	1.4
ROAE	-11.8%	-35.5%	-1.3%	6.1%	6.5%
ROAA	-2.5%	-6.9%	-0.2%	1.1%	1.2%

*The BS does not incorporate the debt from the civil repair, which will be registered since 3Q23. However, we incorporate it in our valuation SOTP.

Sources: Company Reports and Credicorp Capital

Management

CEO: André Mastrobuono
Finance VP: Fernando Rodrigo
IR Manager: Paola Pastor
https://investorrelations.aenza.com.pe/

CredicorpCapital

AES Andes

Fixed Income Research Chile
Utilities

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

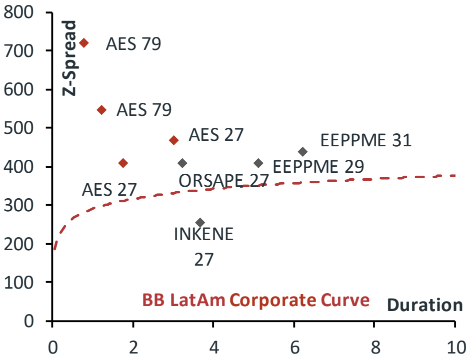
Sandra Loyola - sloyola@credicorpcapital.com

Coal-to-green strategy to continue for the long run

Investment Thesis

The company has shown a successful execution of its Greentegra and decarbonization strategies emphasizing its commitment to its transition goals. 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 an elevated level (3.8x) due to the high cost of coal inventories, but the pressure on margins should gradually fade away. Mercury, being the indirect holding, has a structurally subordinated position to AES. Meanwhile, Cochrane benefits from strong contractual terms but remains inevitably exposed to coal transition and counterparty risk, although coal-to-green modifications have already been agreed upon. We are maintaining our OW recommendation for the 7.125 hybrid (YTM: 14.3% | Dur 0.9) considering the high incentives for the company to execute the call. Finally, we are looking for attractive entry points in Cochrane.

AES Andes Bonds and comparables



Credit Data

REG-S Notes
Outstanding Senior Notes
Closest Call Date
Closest Maturity Date

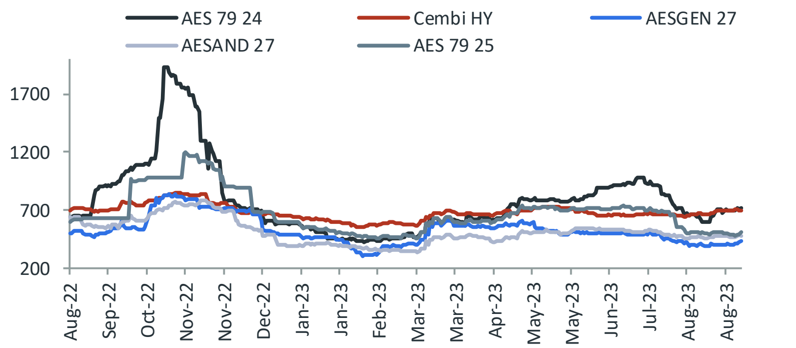
Concerns

- Capex needs in the medium term with a track record of high dividends
- Ambitious coal-phaseout plan requiring adequate execution
- High leverage

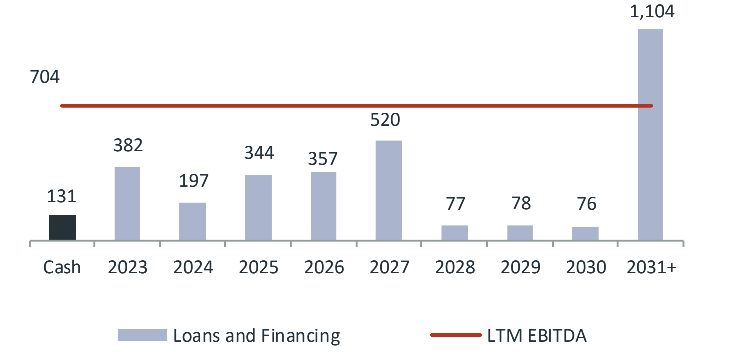
Strengths

- Relevant player in Chile with ~70% of revenue coming from long-term PPAs (avg. life of 11 yr)
- Ongoing renewable transition and decarbonization strategy to improve margins and commercial competitiveness in the long run

Z- Spread evolution



Debt Maturity Profile



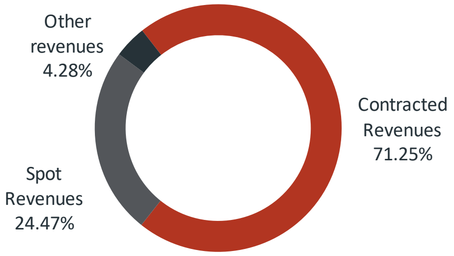
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
AES 25	USD 117mn	5.00%	BBB-	510.2	1.8	91.7	0.5%	10.0%	Neutral
AES 79	USD 517mn	7.13%	BB	720.0	0.8	95.7	0.6%	15.2%	Overweight
AES 79	USD 328mn	6.35%	BB	544.4	1.3	94.8	0.6%	10.7%	Neutral
AES 27	USD 318mn	6.50%	BB+	465.7	3.0	92.6	0.6%	9.1%	Neutral
AES 27	USD 258mn	5.50%	BB+	408.4	1.8	94.4	0.5%	8.8%	Neutral

AES Andes

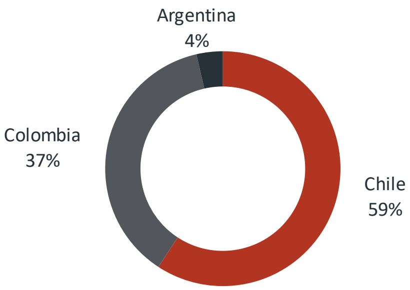
Company Description

AES Andes is one of the largest generation companies in Chile with ~11% market share by dispatch and also has a presence in Colombia and Argentina. 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, 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.

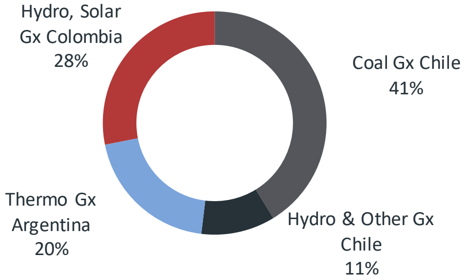
Revenues by Type of Client



LTM EBITDA Breakdown by Geography



LTM Energy Generation (GWh)



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	6.0x	8.6x	10.1x	5.2x	3.9x
Gross Debt / EBITDA	5.1x	3.8x	2.2x	3.3x	4.5x
Net Debt / EBITDA	4.6x	3.6x	2.1x	3.0x	4.3x
Net Debt / Equity	1.5x	1.8x	2.0x	1.9x	2.6x
ST Debt / Gross Debt	6%	5%	12%	9%	16%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	2,412	2,507	2,771	2,579	2,740
Gross Profit	662	892	977	699	603
EBIT	504	-55	-1,347	606	243
Financial Expenses	140	122	106	156	182
EBITDA	836	1,046	1,075	811	704
Gross Margin	27%	36%	35%	27%	22%
EBITDA Margin	35%	42%	39%	31%	26%
Net Margin	5%	-10%	-38%	13%	2%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	341	271	112	186	131
Current Liabilities	970	954	887	1,552	1,340
Total Assets	8,443	8,120	4,477	5,413	5,364
Current Liabilities	791	1,254	732	1,006	1,088
Total Liabilities	5,895	6,089	3,319	4,091	4,200
Equity	2,547	2,031	1,158	1,328	1,164
Net Debt	3,885	3,735	2,282	2,461	3,007
Gross Debt	4,226	4,006	2,394	2,647	3,139
Short Term Debt	271	191	284	248	496
Long Term Debt	3,954	3,815	2,110	2,649	2,643
ROAE	5%	-12%	-91%	26%	4%
ROAA	1%	-3%	-24%	6%	1%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	564	1,053	154	163	293
Investing Activities	-600	-411	-551	-432	-561
Financing Activities	62	-701	247	362	247

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Aguas Andinas

Rating: Hold
TP: CLP 295

Equity Research Chile
Utilities

Andrew McCarthy - amccarthy@credicorpcapital.com

Improved macro backdrop and solid earnings growth already priced in

Investment Thesis

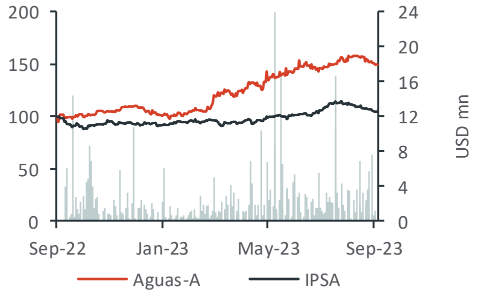
We are maintaining our Hold recommendation and introduce a new YE2024 TP of CLP 295. Aguas/A shares have performed very well in 2023 (+45% YTD) which we think responds to solid earnings prints with tariff indexations -and more recently improving consumption trends- offsetting relatively high inflation in operating costs. In addition, lower risk perception towards utilities amid a more moderate constitutional debate and greater consensus around respecting the current institutional framewok pertaining to water rights has helped re-rate the shares beyond their last five-year average EV/EBITDA multiple. Better earnings and a resumption of a 100% payout of net income have rendered the shares more attractive for dividend investors in a falling rates environment in Chile; on our estimates we see a 12m fwd. dividend yield of ~9% at current levels.

Tariff revision for 2025-30 cycle ahead. Investors should continue to increasingly ask about the tariff review process for the next cycle (2025-30 period) with the final definition by the regulator expected by early 2025. At this point we no longer expect any change to the minimum regulatory rate of return of 7% (real, post-tax) and we would expect an outcome that produces a high degree of continuity in prevailing tariffs. This may reduce the likelihood of inclusion of large infrastructure investments to tackle drier conditions and to increase short-term water reserves to face extreme weather events (i.e. increase current 37-hour autonomy enjoyed by the Santiago metropolitan area served by the company). Finally we think the 2Q23 miss, driven by higher-than-expected increases in operating costs, could dampen hopes for improved earnings ahead, which would tend to keep the shares more rangebound from here, in our view.

Stock Data

Ticker	aguas/a ci
Price (CLP)	282
Target (CLP)	295
Total Return	13,4%
LTM Range	179 - 298
M. Cap (USD mn)	1.892
Shares Outs. (mn)	5.811
Free Float	45%
ADTV (USD mn)	2,2

Price Chart (CLP) and Volumes (USD mn)



Valuation

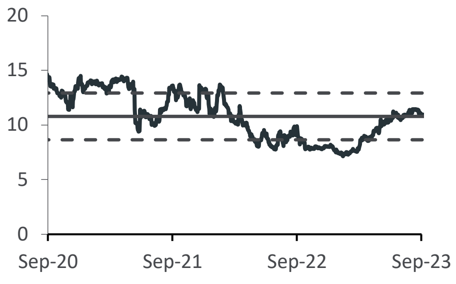
Our YE2024 TP is CLP 295/sh. At the Dec-24 valuation date, we apply an 8.5x 12m fwd. EBITDA multiple to our 2025 EBITDA estimate of CLP 355 bn, which implies CLP 295/sh (+20% vs prior TP of CLP 245/sh). The 8.5x multiple is above the last five-year average of 12m fwd. EV/EBITDA of 8.0x, which we believe is warranted due to the more amenable risk environment for regulated utilities in Chile. We have also tweaked up slightly our EBITDA estimates by +3% and +5% for 2023 and 2024, respectively.

Valuation Summary

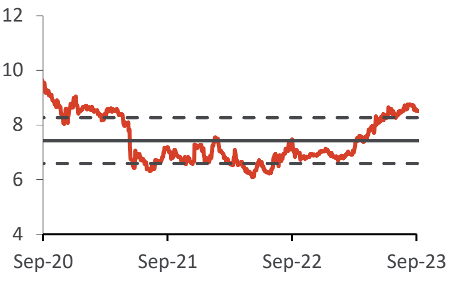
	2022	2023E	2024E	2025E
EV/EBITDA	7,9	8,7	8,3	7,9
P/E	13,9	11,3	10,5	10,1
P/CF	7,8	11,3	11,5	10,9
P/BV	1,4	2,0	1,9	1,9
Div. Yield	6,6%	7,0%	8,9%	9,9%

Sources: Company Reports and Credicorp Capital

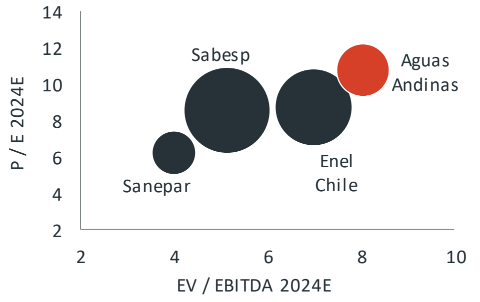
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

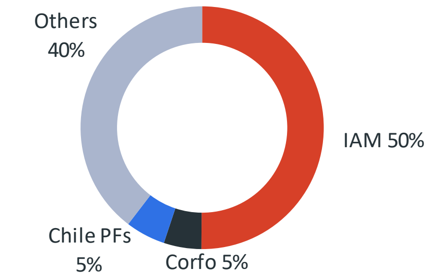


Aguas-A

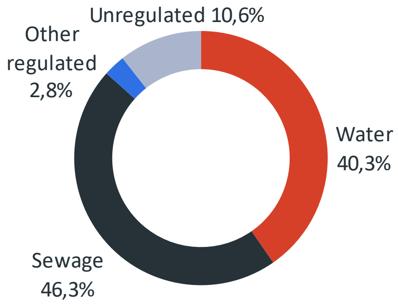
Company Description

Aguas Andinas holds the perpetual water and sewage concessions in most of the Santiago metropolitan region. It serves ~2.3 mn customers and operates in a highly regulated environment. The sector regulator, the SISS, sets Aguas Andinas's tariffs for 5-year periods based on a model company framework. Aguas Andinas, historically, has been a relevant dividend play in the IPSA index.

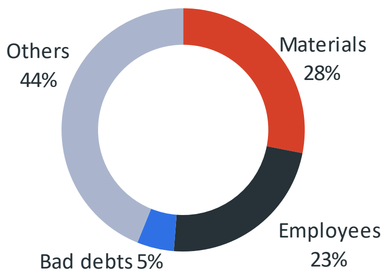
Ownership Structure



Revenue Breakdown (2022)



Operating Costs Breakdown (2022)



Management

CEO: Daniel Tugues
CFO: Miquel Sans
IRO: Denisse Labarca
www.aguasandinas.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	506.460	575.465	647.862	680.189	708.045
EBITDA	262.818	290.762	322.904	340.277	354.791
EBIT	193.623	215.950	248.641	264.720	276.531
Net Income	100.645	85.249	152.682	164.222	171.327
EPS (CLP)	16	14	25	27	28
EBITDA Margin	51,9%	50,5%	49,8%	50,0%	50,1%
EBIT Margin	38,2%	37,5%	38,4%	38,9%	39,1%
Net Margin	19,9%	14,8%	23,6%	24,1%	24,2%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	163.513	179.335	184.644	162.127	130.333
Fixed Assets	1.660.158	1.713.897	1.774.633	1.838.127	1.903.088
Total Assets	2.229.222	2.379.350	2.482.132	2.539.512	2.586.815
Other Liabilities	233.574	243.205	273.802	287.464	299.236
Financial Debt	1.153.099	1.297.253	1.334.967	1.364.871	1.396.138
Total Liabilities	1.386.674	1.540.458	1.608.769	1.652.336	1.695.374
Minority Interest	27	30	30	31	32
Shareholders Equity	842.520	838.862	873.333	887.146	891.409
Total Liabilities + Equity	2.229.222	2.379.350	2.482.132	2.539.512	2.586.815
Net Debt /EBITDA	3,8	3,8	3,6	3,5	3,6
Financial Debt /EBITDA	4,4	4,5	4,1	4,0	3,9
Financial Debt /Equity	1,4	1,5	1,5	1,5	1,6
ROAE	12,0%	10,1%	17,8%	18,7%	19,3%
ROAA	4,6%	3,7%	6,3%	6,5%	6,7%
ROIC	9,1%	11,8%	10,0%	9,7%	9,8%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**174.946**	**163.513**	**179.335**	**184.644**	**162.127**
Cash Flow From Operations	214.858	206.724	258.519	266.943	278.493
CAPEX	-154.239	-141.938	-135.000	-139.050	-143.222
Changes in Financial Debt	83.305	144.154	37.714	29.904	31.267
Dividends (Paid) Received	-105.182	-78.000	-118.210	-150.409	-167.064
Other CFI & CFF Items	-50.175	-115.118	-37.714	-29.905	-31.268
Changes in Equity	0	0	0	0	0
Final Cash	**163.513**	**179.335**	**184.644**	**162.127**	**130.333**
Change in Cash Position	**-11.432**	**15.822**	**5.309**	**-22.518**	**-31.794**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Alicorp

Rating: Hold
TP: PEN 7.4

Equity Research Peru
Food & Beverage

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

Focusing on core tier CGPs in Peru amid a challenging consumption landscape and very low crush margins. Downgrading to Hold.

Investment Thesis

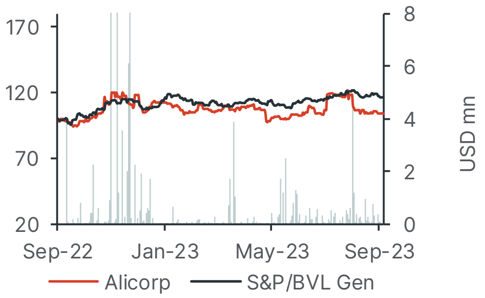
We are downgrading our recommendation for Alicorp from Buy to Hold and introducing a new 2024YE TP of PEN 7.4/share. In 1H23, our thesis on Alicorp as a defensive player to deal with a deteriorated economic scenario failed as a result of several unexpected events. We refer to logistical disruptions, protests, climate events, a greater impact of inflationary pressures on disposable income and a sharper-than-anticipated drop in the contribution to EBITDA of the crushing business due to lower crush margins related to a reduction in agricultural commodity prices (the contribution to EBITDA from the crushing business is expected to be near zero this year after a record-breaking 2022). We now forecast a drop of 20% in EBITDA for 2023 (23% cut from our previous estimate).

Next year is not exempt from risks. The company's strategy of focusing on core tier products whose flagship brands are more profitable has enabled it to report improved operating margins per ton ex-crushing in 1H23 (a remarkable achievement amid a prolonged period of weakening private consumption in Peru). However, we expect that the CGP division in Peru will deliver EBITDA below the 2022 level. Regarding the crushing business, we estimate that it could report EBITDA like what was observed in 2020 (~80% below the 2021-2022 period). On a consolidated basis, while we expect a double-digit recovery in EBITDA next year (downward revision of 15%), it will not be enough to reach the 2022 level. The downside risks are the possibility of a strong El Niño phenomenon towards the end of 2023 or early 2024 in Peru and an undesired impact from the company's commercial strategy on its market share in the traditional channel. Finally, there is low visibility regarding the impact on profitability and indebtedness associated with the potential acquisition of Refinería del Espino S.A. (a controlling-shareholder-related entity).

Stock Data

Ticker	alicorc1 pe
Price (PEN)	6.2
Target (PEN)	7.4
Total Return	21.3%
LTM Range	6 - 7
M. Cap (USD mn)	1,437
Shares Outs. (mn)	847
Free Float	44%
ADTV (USD mn)	0.7

Price Chart (PEN) and Volumes (USD mn)



Valuation

At our new TP of 7.4/share, Alicorp's shares would trade at ~7x EV/Fwd EBITDA, which is in line with its 5-year history. While we acknowledge that current valuations appear attractive on a historical basis and relative to peers, we believe that the decreased stock liquidity resulting from relevant corporate events (last year's buyback program and a recent tender offer) may keep valuations at a discount.

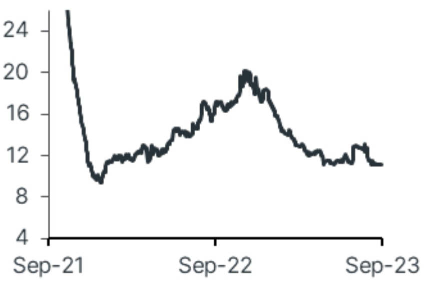
Valuation Summary

	2022	2023E	2024E	2025E
EV/EBITDA	6.1	8.1	6.9	6.2
P/E	11.0	16.7	11.0	9.1
P/CF	4.3	19.2	6.1	6.8
P/BV	2.0	1.9	1.7	1.5
Div. Yield	3.7%	4.0%	2.7%	4.1%

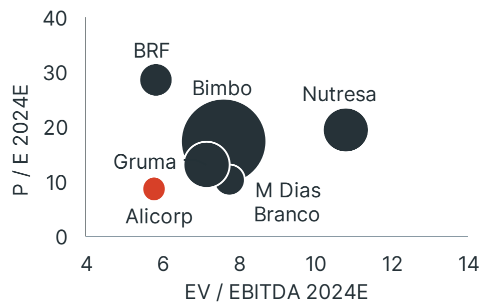
Sources: Company Reports and Credicorp Capital

P/E 12M Forward

EV/EBITDA 12M Forward



Relative Valuation

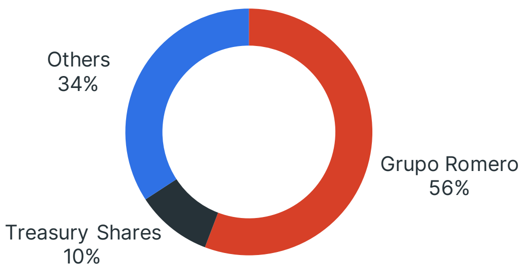


Alicorp

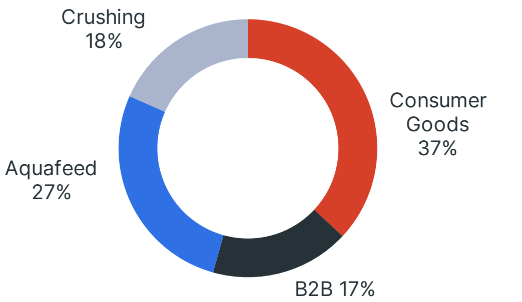
Company Description

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 a consumer goods and crushing business in Bolivia 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, and through a B2B platform it serves industrial clients an the Horeca channel. Finally, Alicorp owns Aquafeed through which produces shrimp feed in Chile, Ecuador, Peru and Honduras, and salmon feed in Chile.

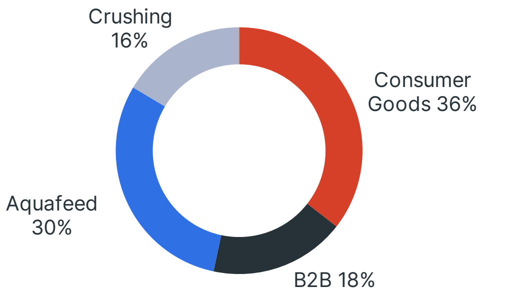
Ownership Structure



Revenue breakdown by segment (LTM)



EBITDA breakdown by segment (LTM)



Management

CEO: Alfredo Peréz
CFO: Manuel Romero
IR Manager: Misael Alvarez
www.alicorp.com.pe

Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	12,228	15,406	14,867	15,415	16,292
Gross Profit	2,396	2,762	2,554	2,807	3,021
EBITDA	1,311	1,622	1,285	1,510	1,670
Net Income	-34	524	319	484	586
EPS (PEN)	-0.04	0.6	0.4	0.6	0.7
Gross Margin	19.6%	17.9%	17.2%	18.2%	18.5%
EBITDA Margin	10.7%	10.5%	8.6%	9.8%	10.2%
Net Margin	-0.3%	3.4%	2.1%	3.1%	3.6%

Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	905	940	549	816	860
Total Current Assets	6,510	7,349	7,403	7,730	8,151
Total Assets	13,388	14,012	14,800	15,314	16,012
Current Liabilities	4,646	6,288	6,950	7,103	7,385
Financial Debt	5,315	5,070	5,886	5,886	5,886
Total Liabilities	10,063	11,091	11,966	12,140	12,469
Minority Interest	39	48	55	55	55
Shareholders Equity	3,286	2,872	2,779	3,120	3,488
Total Liabilities + Equity	13,388	14,012	14,800	15,314	16,012
Net Debt /EBITDA	3.4	2.5	4.2	3.4	3.0
Financial Debt /EBITDA	4.1	3.1	4.6	3.9	3.5
Financial Debt /Equity	1.6	1.8	2.1	1.9	1.7
ROAE	-1.0%	17.0%	11.3%	16.4%	17.7%
ROAA	-0.3%	3.8%	2.2%	3.2%	3.7%
ROIC	-0.6%	11.5%	7.5%	9.7%	10.7%

Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**571**	**905**	**940**	**549**	**816**
Cash Flow From Operations	-57	1,560	-376	859	736
CAPEX	-529	-351	-425	-449	-474
Changes in Financial Debt	1,241	-245	816	0	0
Dividends (Paid) Received	-715	-214	-214	-143	-218
Other CFI & CFF Items	393	-715	-191	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**905**	**940**	**549**	**816**	**860**
Change in Cash Position	**334**	**35**	**-391**	**267**	**44**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Almacenes Éxito

Rating: Buy
TP: COP 5,500

Equity Research Colombia
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Seizing a golden entry opportunity as stock prices hit rock bottom

Investment Thesis

We are maintaining our Buy recommendation for Exito and introducing our YE2024 TP of COP 5,500. This projection implies a 2024e EV/EBITDA multiple of 5.6x, which positions it conservatively within the lower range when compared to its LatAm counterparts. The recent spin-off from GPA has prompted selling pressure from Brazilian investors, resulting in anticipated volatility over the next 30 days. However, we anticipate a promising shift with Exito's inclusion in the Colcap Index in the upcoming November revision, which should pave the way for increased inflows.

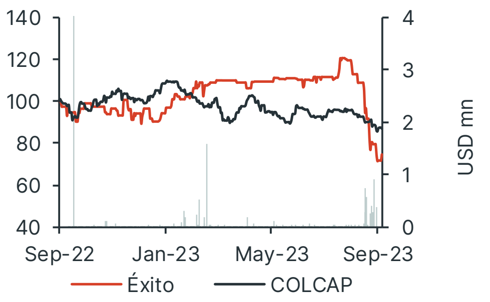
From a fundamental perspective, Exito stands as an exceptional opportunity, considering its current market price implies a 2024e EV/EBITDA of 4.4x. This valuation seems unjustified, especially considering the substantial rise in liquidity and free float. Despite the challenging competitive landscape and macroeconomic factors, the company has impressively maintained an EBITDA margin of near 8%, attributable in part to its real estate segment's contribution. Amid uncertainties, Exito has adeptly navigated changes and seized market opportunities. Notably, initiatives like Carulla Fresh Market and Exito Wow have invigorated sales/sqm. **A pivotal element of the company's strategy lies in its robust focus on the omnichannel.** With its online penetration reaching around 12% of total sales in Colombia, Exito has outperformed its LatAm peers, which is a remarkable achievement.

Looking ahead, the potential divestment of Casino's LatAm assets presents a new horizon. As Casino's influence recedes, Exito could propel itself towards higher capex and growth trajectories. Furthermore, diminished corporate governance risk may attract heightened interest from local institutional investors, amplifying the company's growth trajectory.

Stock Data

Ticker	exito cb
Price (COP)	2,810
Target (COP)	5,500
Total Return	98.8%
LTM Range	2,690 - 4,539
M. Cap (USD mn)	915
Shares Outs. (mn)	1,298
Free Float	53%
ADTV (USD mn)	0.1

Price Chart (COP) and Volumes (USD mn)



Valuation

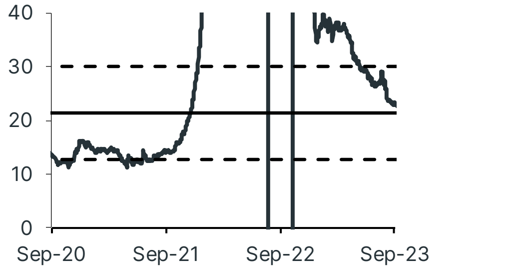
The current market valuation presents a compelling bargain with a 2024e EV/EBITDA of 4.4x. Our TP is based 50/50 on a ten-year DCF model (WACC 15.2%) and multiple valuation using an implicit 5.5x EV/EBITDA multiple. It is worth noting that the real estate business accounts for ~15% of the total EV. Regarding our assumptions, we are quite conservative both in the short term and long term. We are forecasting a modest revenue CAGR (2022-2028) of ~3.8%, while margins are expected to remain stable. Our estimates for EBITDA in 2023 and 2024 are ~3% and ~5%, respectively, below the market consensus. The estimated 2024 dividend yield remains at ~3.1%.

Valuation Summary

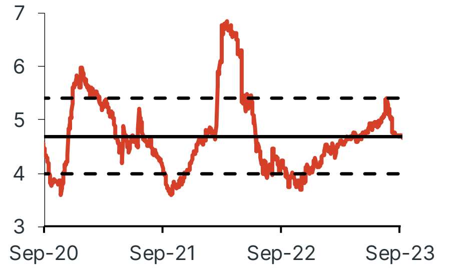
	2022	2023E	2024E	2025E
EV/EBITDA	4.0	5.5	5.4	5.0
P/E	44.7	29.0	12.2	10.8
P/CF	6.8	4.4	3.9	3.7
P/BV	0.6	0.5	0.5	0.5
Div. Yield	9.0%	7.8%	3.1%	7.3%

Sources: Company Reports and Credicorp Capital

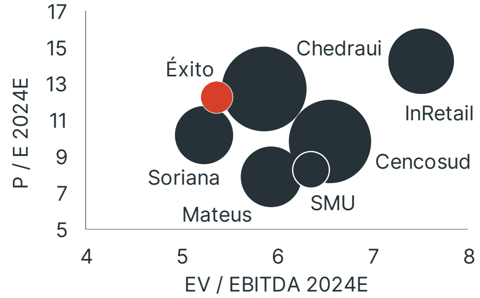
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

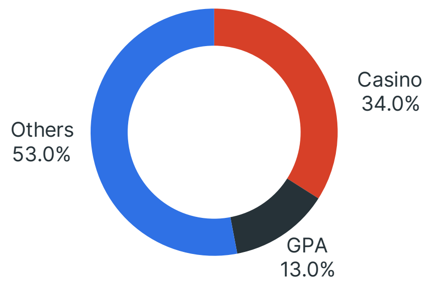


Almacenes Éxito

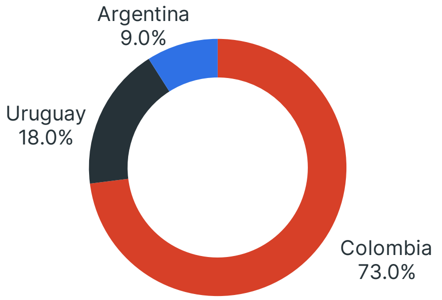
Company Description

Almecenes Exito is one of the largest food retailers in South America with presence in Colombia (Exito, Carulla, Super Inter, Surtimax, Surtimayorista), Uruguay (Grupo Disco and Grupo Devoto) and Argentina (Libertad and Paseo Libertad). The company also operates a Real Estate business in Colombia through the Viva banner. Sales in Colombia reach USD 3.7 bn, USD 0.9 bn in Uruguay and USD 0.4 bn in Argentina.

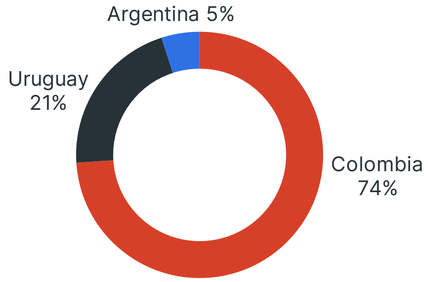
Ownership Structure



Revenue breakdown by country (LTM)



EBITDA breakdown by country (LTM)



Management

CEO: Carlos Mario Giraldo
CFO: Ivonne Windmueller
IRO: Maria Fernanda Moreno
www.grupoexito.com.co

Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Revenues	16,924	20,621	21,631	21,756	22,421
Gross Profit	4,433	5,239	5,595	5,583	5,729
EBITDA	1,535	1,662	1,698	1,741	1,857
Net Income	474	99	126	298	339
EPS (COP)	366	76	97	230	261
Gross Margin	26.2%	25.4%	25.9%	25.7%	25.6%
EBITDA Margin	9.1%	8.1%	7.8%	8.0%	8.3%
Net Margin	2.8%	0.5%	0.6%	1.4%	1.5%

Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	2,542	1,734	1,819	1,829	1,883
Total Current Assets	5,833	5,948	6,253	6,304	6,519
Total Assets	16,901	18,183	18,033	17,933	18,006
Current Liabilities	6,518	7,415	8,265	8,358	8,279
Financial Debt	3,012	3,112	3,515	3,113	2,866
Total Liabilities	8,873	9,749	9,934	9,588	9,512
Minority Interest	-	1,295	1,304	1,365	1,444
Shareholders Equity	8,028	7,139	6,795	6,980	7,050
Total Liabilities + Equity	16,901	18,183	18,033	17,933	18,006
Net Debt /EBITDA	0.3	0.8	1.0	0.7	0.5
Financial Debt /EBITDA	2.0	1.9	2.1	1.8	1.5
Financial Debt /Equity	0.4	0.4	0.5	0.4	0.4
ROAE	6.1%	1.3%	1.8%	4.3%	4.8%
ROAA	2.9%	0.6%	0.7%	1.7%	1.9%
ROIC	9.7%	5.0%	8.0%	7.1%	7.8%

Cash Flow Statement

COP bn	2021	2022	2023E	2024E	2025E
Initial Cash	2,409	2,542	1,734	1,819	1,829
Operating Cash Flow	890	-101	610	1,040	1,100
CAPEX	-330	-381	-520	-576	-609
Changes in Debt	13	100	403	-401	-247
Dividends	-303	-397	-284	-113	-268
Other CFI & CFF Items	-137	-29	-124	61	78
Changes in Equity	-	-	-	-	-
Final Cash	2,542	1,734	1,819	1,829	1,883
Change in Cash Position	132	-808	85	11	54

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Andina

Rating: Hold
TP: CLP 2,550 (loc) / USD 20.4 (ADR)

Equity Research Chile
Food & Beverage

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

The most resilient Chilean-based beverage player with exposure to LatAm. Investor attention is focused on Argentina.

Investment Thesis

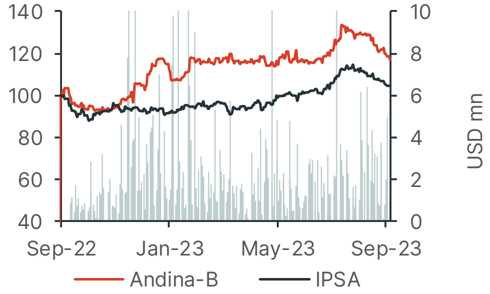
We are reiterating our HOLD recommendation and introducing a 2024YE TP of CLP 2,550. Despite the challenges that the consumer and beverages industry faced in 2022, Andina positioned itself as the most resilient player among its Chilean peers by posting the highest growth in EBITDA thanks to strong growth in volumes (+5.5%) and price actions which allowed the company to report almost flat margins amid significant cost pressures. Andina will also stand out in 2023 since it will continue to experience volume growth, albeit a slower pace than last year (~+3%) supported by the solid performance of its franchises in Brazil and its operations in Paraguay, with flat volumes in Chile and Argentina. Next year looks similar in terms of growth in sales volumes and EBITDA (~+3% and +5%, respectively), although with a slight expansion in operational margins. A relevant source of growth beyond 2024 will come from investments in Brazil related to the company's aim to recover the sales volumes of beer lost as result of termination of the Heineken contract back in 2021.

What to watch? Undoubtedly, the political and macroeconomic situation in Argentina is an issue that investors are monitoring closely due to the upcoming presidential elections, the risk of further depreciation of the peso and the consequent weakening in consumer demand. While Andina's operations in that country contributed 30% of the consolidated EBITDA in the 1H23, our DCF model which yields a fair value of ~CLP 2.500/share indicates that Argentina represents only 5% of the enterprise value with an implicit EV/EBITDA ratio below 2x. We like Andina… but, based on our conversations with institutional and high-net-worth investors, the current stance on names with relevant exposure to Argentina is one of "wait and see" for now.

Stock Data

Ticker	andinab ci / ako/b us
Price (CLP)	2,070 (loc) / 13.8 (ADR)
Target (CLP)	2,550 (loc) / 20.4 (ADR)
Total Return	29.5%
LTM Range	1,616 - 2,365
M. Cap (USD mn)	2,025
Shares Outs. (mn)	473
Free Float	63%
ADTV (USD mn)	2.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

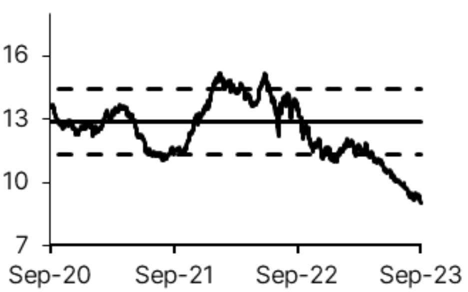
Our Dec-24 target price of CLP 2,550/share is based on an equal-weighted average 10-year DCF valuation and EV/Fwd EBITDA target multiple of 5.8x, resulting in an implicit ratio of 5.6x. As per consensus, while Andina doesn´t seem particularly discounted vs. CCU in terms of its 12-month EV/EBITDA history, it looks attractive compared its Mexican peers and global players which are not trading at a discount. According to our estimates, Andina offers a dividend yield of ~7% by December next year.

Valuation Summary

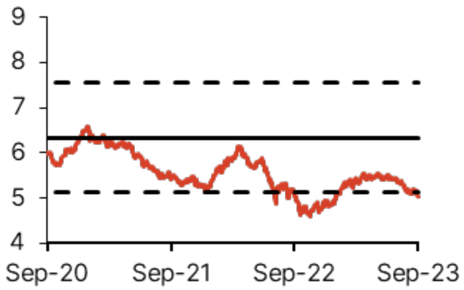
	2022	2023E	2024E	2025E
EV/EBITDA	5.5	5.4	5.2	5.0
P/E	14.1	13.0	10.3	9.8
P/CF	8.6	11.6	9.0	7.5
P/BV	2.1	2.2	2.0	1.9
Div. Yield	15.5%	9.1%	6.3%	8.9%

Sources: Company Reports and Credicorp Capital

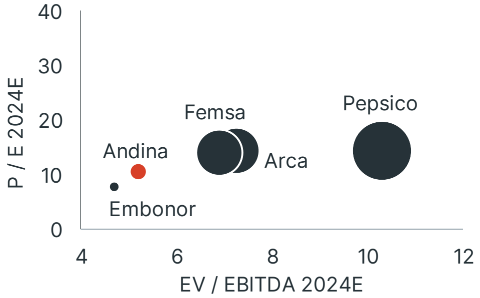
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

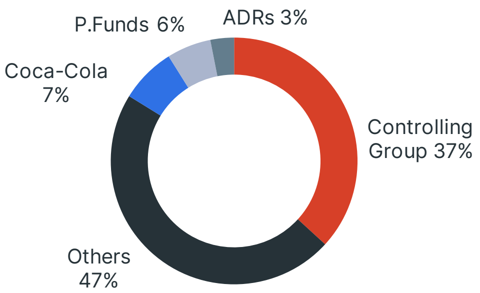


Andina-B

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.

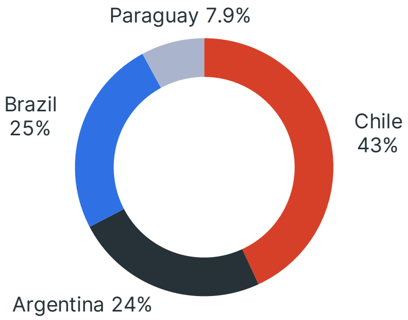
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	2,216,733	2,656,878	2,742,513	2,829,656	2,971,324
Gross Profit	841,340	1,028,177	1,072,208	1,124,448	1,179,695
EBITDA	397,213	464,510	485,006	510,134	533,702
Net Income	154,698	125,498	151,246	189,828	200,180
EPS (CLP)	163	133	160	201	211
Gross Margin	38.0%	38.7%	39.1%	39.7%	39.7%
EBITDA Margin	17.9%	17.5%	17.7%	18.0%	18.0%
Net Margin	7.0%	4.7%	5.5%	6.7%	6.7%

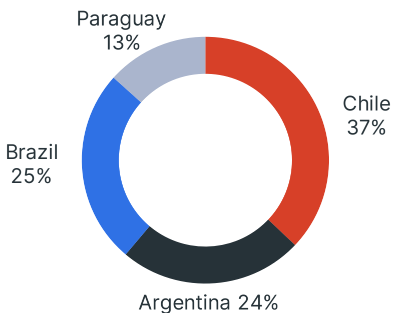
Revenue breakdown by country (LTM)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	499,783	554,727	490,770	573,757	591,098
Total Current Assets	990,986	1,161,729	1,066,377	1,168,675	1,208,823
Total Assets	2,946,107	3,010,701	2,984,802	3,108,878	3,209,957
Current Liabilities	529,567	949,245	914,367	933,764	963,341
Financial Debt	1,088,812	1,272,104	1,235,214	1,250,042	1,270,764
Total Liabilities	1,844,693	2,127,298	2,056,980	2,102,028	2,161,299
Minority Interest	25,270	28,143	32,577	35,212	37,861
Shareholders Equity	1,076,144	855,260	895,245	971,638	1,010,797
Total Liabilities + Equity	2,946,107	3,010,701	2,984,802	3,108,878	3,209,957
Net Debt /EBITDA	1.5	1.5	1.5	1.3	1.3
Financial Debt /EBITDA	2.7	2.7	2.5	2.5	2.4
Financial Debt /Equity	1.0	1.5	1.4	1.3	1.3
ROAE	16.4%	13.0%	17.3%	20.3%	20.2%
ROAA	5.7%	4.2%	5.0%	6.2%	6.3%
ROIC	13.9%	10.8%	11.6%	14.0%	14.4%

EBITDA breakdown by country (LTM)



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	449,836	499,783	554,727	490,770	573,757
Cash Flow From Operations	18,404	401,863	296,987	383,933	343,283
CAPEX	-144,027	-186,702	-217,226	-204,975	-188,294
Changes in Financial Debt	60,416	183,292	-36,891	14,828	20,723
Dividends (Paid) Received	-106,347	-274,316	-164,987	-113,435	-161,021
Other CFI & CFF Items	221,502	-69,192	58,160	2,635	2,650
Changes in Equity	0	0	0	0	0
Final Cash	499,783	554,727	490,770	573,757	591,098
Change in Cash Position	49,947	54,944	-63,957	82,987	17,341

Sources: Company Reports and Credicorp Capital

Management

CEO: Miguel Angel Peirano
CFO: Andrés Wainer
IRO: Paula Vicuña
www.koandina.cl

AntarChile

Rating: Hold
TP: CLP 8,100

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

We reiterate our Hold recommendation on the name as it trades at a holding discount slightly below its own history.

Investment Thesis

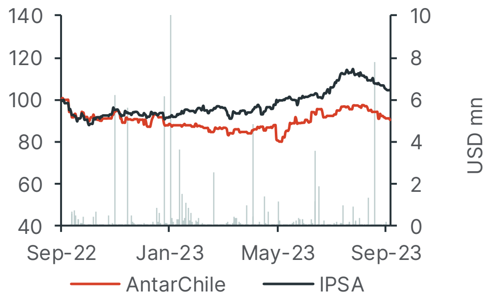
We are introducing a 2024YE TP of CLP 8,100 and reiterating our Hold recommendation as we see limited room for AntarChile to outperform COPEC since the stock currently trades at a holding discount to NAV of ~35%, which is below what has been observed in recent years amid deteriorated liquidity for the shares. While we recognize that the ongoing 5-year buyback program for up to 5% of shares -in place since mid-2021- serves as a cushion for the stock (the company has repurchased a very small portion so far, ~0.45% as of June), we favor COPEC as it offers more appealing upside potential and is a more liquid name (AntarChile is not a member of the IPSA index).

On a YTD basis (as of July), Chilean pensions funds have been net sellers of AntarChile's shares, and they now hold a positioning 12% below the figure from December. Conversely, they have increased their holdings in COPEC in a consistent manner, particularly during the last four months, to reach an investment 9% above the December level.

Stock Data

Ticker	antar ci
Price (CLP)	7,100
Target (CLP)	8,100
Total Return	17.6%
LTM Range	6,291 - 7,911
M. Cap (USD mn)	3,635
Shares Outs. (mn)	456
Free Float	26%
ADTV (USD mn)	0.4

Price Chart (CLP) and Volumes (USD mn)



Valuation

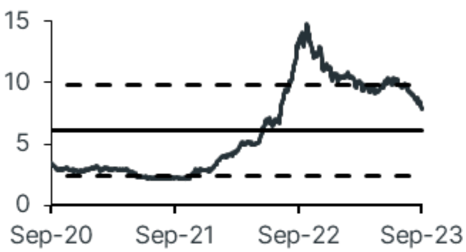
Our valuation of AntarChile is based on a sum-of-the-parts model. We utilize our target prices for COPEC (CLP 7,600/share), which represents 95% of its NAV, and Colbun (CLP 145/share), while fishing companies (non-listed) are considered at book value. To obtain the NAV for AntarChile, we deduct its net financial debt and the NPV of SG&A expenses at the parent company level. Finally, to get our target price for AntarChile (CLP 8,100/share), we apply a 40% holding discount to the NAV (very much in line with its five-year historical average).

Valuation Summary

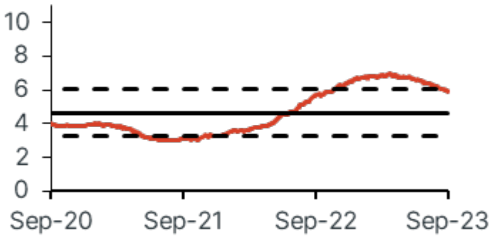
	2022	2023E	2024E	2025E
EV/EBITDA	4.1	8.0	6.4	6.0
P/E	4.2	11.2	7.7	6.5
P/CF	18.0	9.2	3.4	2.4
P/BV	0.5	0.5	0.4	0.4
Div. Yield	10.4%	16.6%	3.6%	5.2%

Sources: Company Reports and Credicorp Capital

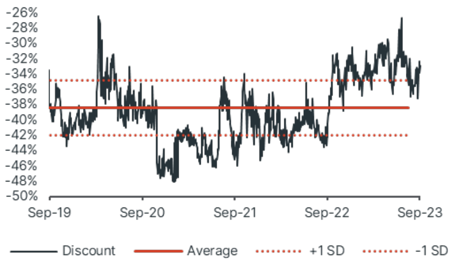
P/E 12M Forward



EV/EBITDA 12M Forward



Holding Discount

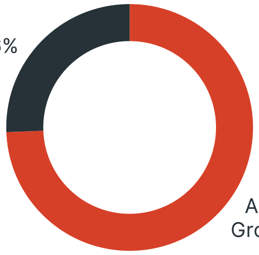


AntarChile

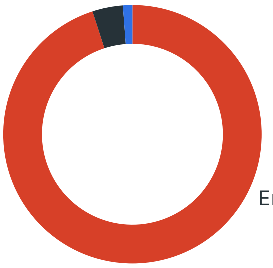
Company Description

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/Terpel/Mapco (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 9.58% stake of Colbun, one of the largest power electric companies in Chile.

Ownership Structure



NAV Breakdown (Based on our estimates)



Management

CEO: Andrés Lehuedé
IRO: José Luis Arriagada
www.antarchile.cl

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	24,787	30,765	29,845	31,968	33,399
Gross Profit	4,696	5,165	3,802	4,705	4,989
EBITDA	3,430	3,617	2,158	2,706	2,897
Net Income	1,192	925	323	473	557
EPS (CLP)	2,226	1,725	632	925	1,089
Gross Margin	18.9%	16.8%	12.7%	14.7%	14.9%
EBITDA Margin	13.8%	11.8%	7.2%	8.5%	8.7%
Net Margin	4.8%	3.0%	1.1%	1.5%	1.7%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,918	1,960	1,761	1,648	1,897
Total Current Assets	7,237	8,779	9,457	9,753	10,177
Total Assets	25,867	28,592	29,642	30,571	31,484
Current Liabilities	3,409	5,408	4,773	4,891	4,958
Financial Debt	9,230	10,293	11,130	11,130	11,130
Total Liabilities	14,325	16,001	16,299	16,520	16,699
Minority Interest	4,740	5,118	5,407	5,770	6,136
Shareholders Equity	6,802	7,473	7,937	8,281	8,649
Total Liabilities + Equity	25,867	28,592	29,642	30,571	31,484
Net Debt /EBITDA	2.1	2.3	4.3	3.5	3.2
Financial Debt /EBITDA	2.7	2.8	5.2	4.1	3.8
Financial Debt /Equity	1.4	1.4	1.4	1.3	1.3
ROAE	17.7%	13.0%	4.2%	5.8%	6.6%
ROAA	4.6%	3.4%	1.1%	1.6%	1.8%
ROIC	9.5%	9.4%	3.6%	5.0%	5.2%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**2,380**	**1,918**	**1,960**	**1,761**	**1,648**
Cash Flow From Operations	3,241	1,204	183	1,056	1,387
CAPEX	-2,017	-2,349	-1,650	-1,405	-1,314
Changes in Financial Debt	-759	1,063	838	0	0
Dividends (Paid) Received	-879	-404	-602	-129	-189
Other CFI & CFF Items	-47	528	1,032	364	366
Changes in Equity	0	0	0	0	0
Final Cash	**1,918**	**1,960**	**1,761**	**1,648**	**1,897**
Change in Cash Position	**-461**	**42**	**-199**	**-113**	**249**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Banco de Bogotá

Rating: Hold
TP: COP 38,000

Equity Research Colombia
Banco de Bogotá

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Banco de Bogotá is the most resilient bank of Grupo Aval under the current context, but a discounted valuation is not enough

Investment Thesis

We are introducing our 2024E TP of COP 38,000/share and maintaining our HOLD rating. Banco de Bogotá has been the most resilient bank of Grupo Aval as the net effect coming from the increases in rates has been relatively neutral given its exposure to commercial loans. That said, provisions rose 38% on a YTD basis with a cost of risk of 2.0% in 1H23 given the deterioration in consumer loans. As a result, the bank reduced its ROAE estimate to 9%-10% for 2023. We see ROAE at 9.9% in 2023 and at 12.9% in 2024, still below the long-term target around 15%. Trading at 0.5x P/BV 2024E, the stock looks discounted, but the short-term pressures are relevant and might keep investors on the sidelines. In addition, an ADTV of 0.1 mn should also be considered an obstacle, considering that Bogotá has the lowest ADTV among local companies in the financial sector.

The company is in a transition period after the spin-off of BHI, and it will take time to reach the 15% long-term target ROAE. The company has been active in increasing its exposure to consumer loans with increases of 17.2% y/y and 3.6% q/q in 2Q23. Even though the bank is headed in the right direction on the asset side and this will be a driver for margin expansion, the task is even harder on the liability side. Total deposits represent 78% of funding, but term deposits are the main type of deposit, representing 45%. Decreasing the funding costs and increasing the market share in cheap deposits will be key for the expansion of margins. Moreover, the bank must recover the fee generation as the ratio of fees over assets was placed at 2.6% for 2019 (including BHI), while in 1H23 it was 1.1%. There are several milestones that we need to see to be more optimistic on Bogotá, and a cheap valuation is not enough under the current context.

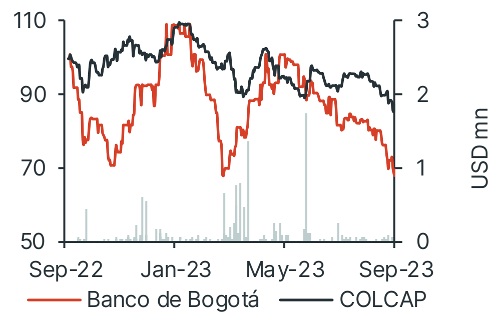
Valuation

Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 15.4% in COP and perpetuity growth of 5.0%. Our TP implies a 0.8x P/BV and a 6.3x P/E 2024E, while shares are currently trading at a 0.5x P/BV and a 4.3x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 13.7%.**

Stock Data

Ticker	bogota cb
Price (COP)	25,900
Target (COP)	38,000
Total Return	54.8%
LTM Range	24,950 - 40,000
M. Cap (USD mn)	2,307
Shares Outs. (mn)	355
Free Float	11%
ADTV (USD mn)	0.1

Price Chart (COP) and Volumes (USD mn)

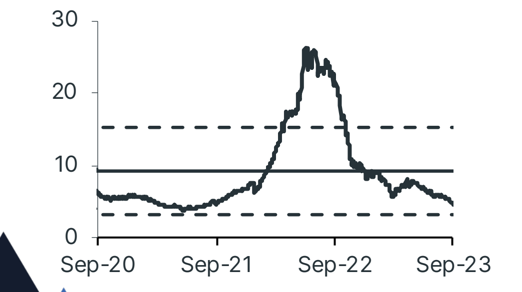


Valuation Summary

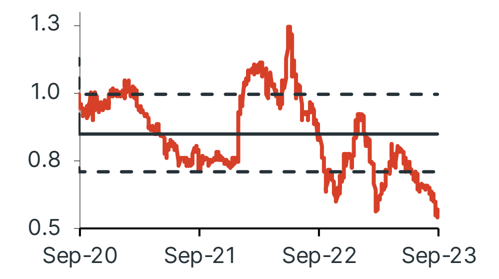
	2022	2023E	2024E	2025E
P/E	4.7	5.9	4.3	3.7
P/BV	0.8	0.6	0.5	0.5
ROAE	20.2%	9.9%	12.9%	13.8%
ROAA	2.2%	1.1%	1.5%	1.6%
Div. Yield	2.1%	9.1%	8.1%	10.4%

Sources: Company Reports and Credicorp Capital

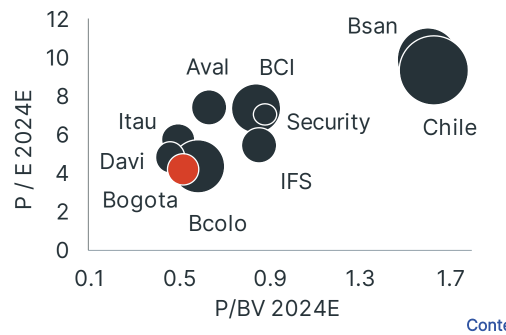
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

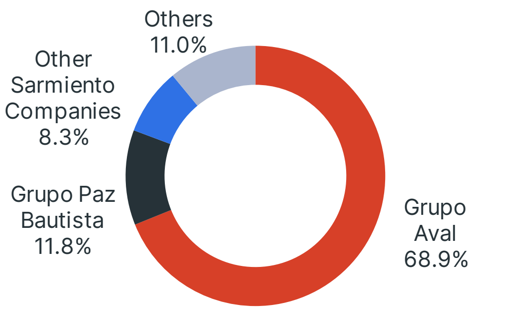


Bco. Bogotá

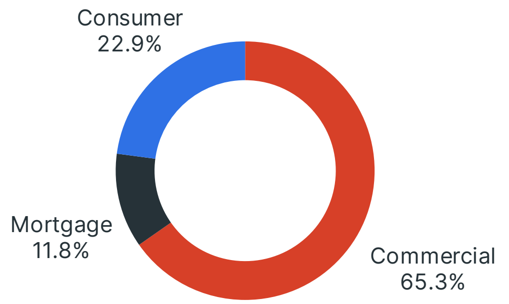
Company Description

Banco de Bogotá is the oldest financial institution in Colombia, the most relevant asset of Grupo Aval, and the third largest bank in the country with a ~11.6% market share. Banco de Bogotá was a leading player in Central America through BAC Credomatic, but on Mar-22 the bank executed a spin-off of a 75% equity stake in BAC Holding International (BHI) to its shareholders and on Dec-22 it sold the remining 25% in a tender offer made by a vehicle of the Sarmiento's family.

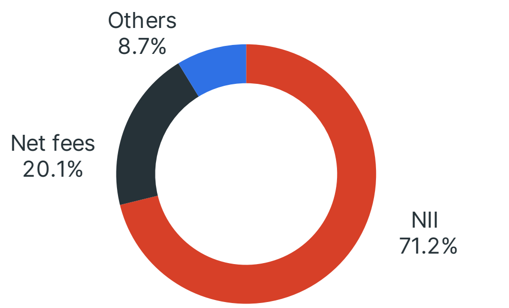
Ownership Structure



Loans by segment (2Q23)



Revenue breakdown (2Q23)



Management

CEO: César Prado Villegas

CFO: Germán Salazar

HIR: Javier Dorich

www.bancodebogota.com

Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Net interest income	8,649	4,695	5,186	5,547	5,993
Net fee income	4,173	1,245	1,460	1,560	1,676
Operating income	16,082	7,903	7,623	8,651	9,318
Provision expenses	-2,997	-1,362	-1,934	-1,997	-1,922
Operating expenses	-7,698	-3,258	-3,669	-3,901	-4,196
Net income	4,356	2,805	1,564	2,132	2,479
EPS (COP)	13,149	7,895	4,401	6,002	6,978
Net margin	27.1%	35.5%	20.5%	24.6%	26.6%

Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	28,585	11,766	10,044	10,768	11,597
Investments	29,511	16,672	15,976	17,585	19,382
Gross loans	156,219	96,078	101,133	108,843	117,221
Total assets	232,335	137,874	140,323	150,682	162,475
Total deposits	163,734	88,027	93,299	100,018	107,683
Other funding	36,259	30,328	26,727	28,642	30,880
Total liabilities	206,996	122,063	124,494	133,468	143,741
Minority interest	42	45	50	50	50
Shareholder's equity	25,297	15,765	15,779	17,164	18,684
Total liabilities + Equity	232,335	137,874	140,323	150,682	162,475

Ratios

	2021	2022	2023E	2024E	2025E
NIM	5.15%	4.69%	4.71%	4.83%	4.83%
Fee ratio	26.0%	15.8%	19.2%	18.0%	18.0%
Cost-to-income ratio	-47.9%	-41.2%	-48.1%	-45.1%	-45.0%
NPL / loans	2.7%	3.5%	3.8%	3.6%	3.6%
LLP / loans	-4.9%	-5.5%	-5.5%	-5.5%	-5.5%
Cost of credit risk	-2.05%	-1.53%	-1.96%	-1.90%	-1.70%
LLP / NPL	-182%	-157%	-146%	-152%	-154%
LTD ratio	90.7%	103.1%	102.4%	102.8%	102.8%
Loan-to-funding ratio	74.3%	76.7%	79.6%	79.9%	79.9%
BIS ratio	13.6%	13.1%	12.4%	12.6%	12.9%
ROAE	18.8%	20.2%	9.9%	12.9%	13.8%
ROAA	2.0%	2.2%	1.1%	1.5%	1.6%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Banco de Bogota

Fixed Income Research Colombia Banks

Cynthia Huaccha - chuaccha@credicorpcapital.com

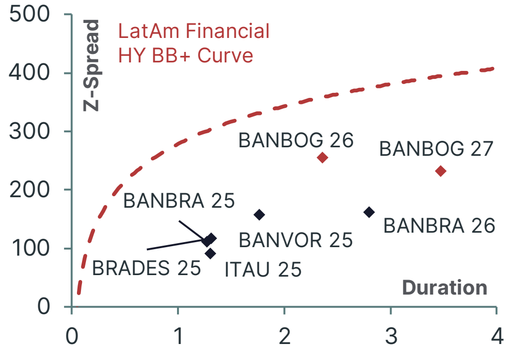
Baa2 / BB+ / BB+
Outlook: s / s / s

Challenging times to navigate

Investment Thesis

So far this year, the bank's results have been affected by the economic cycle, leading to a slowdown in the dynamism of the loan portfolio accompanied by deteriorations in quality and profitability. Although solvency remains above regulatory minimums and has been relatively stable, it is still very limited in relative terms and has not been able to take off significantly after BAC's spin-off. The risk profile remains adequate, but the economic cycle still presents challenges, and metrics that have shown a deterioration trend must be closely monitored, especially the NPL ratio and solvency. An important factor at the curve level to consider is the fact that Banco de Bogota's issues have comparatively lower risk structures within the universe of Colombian bank issues (one of the few Sr Unsecured structures and Old-style Subordinated issues).

Banco de Bogota Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 1,572MM
Closest Call Date	03-May-27
Closest Maturity Date	12-May-26

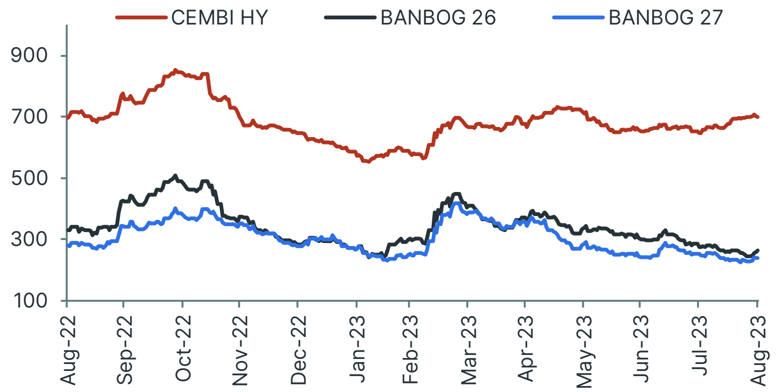
Concerns

- Relatively low core solvency
- Need to refinance Tier 2 capital component
- Asset quality pressures
- Challenge to recover its Colombian market share

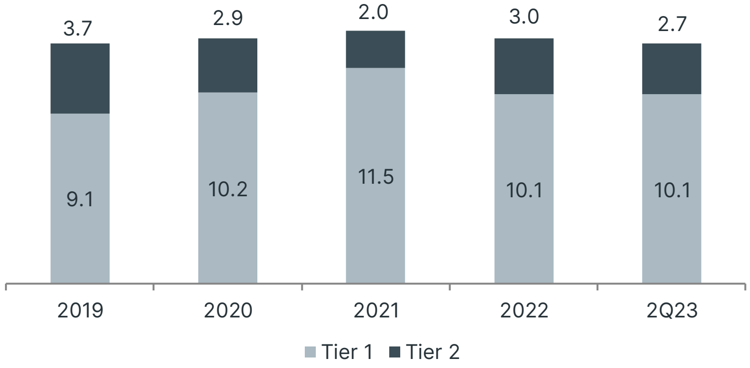
Strengths

- Strategic relevance for its economic group and the local banking system
- Stable deposit funding
- Subordinated structures with lower risk

Z- Spread evolution



Solvency



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BANBOG 26	USD 1,100mn	6.25%	Ba2 / NR / BB-	255	2.4	97.5	0.5%	7.3%	Overweight
BANBOG 27	USD 472mn	4.38%	Baa2 / BB+ / BB+	232	3.5	92.0	0.4%	6.7%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Banco de Chile

Rating: Hold
TP: CLP 102 (loc) / USD 27.2 (ADR)

Equity Research Chile
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Banco de Chile is the best bank in Chile, but the story ahead is one of normalization

Investment Thesis

We are introducing our 2024E TP of CLP 102/share (USD 27.2 ADR) and maintaining our HOLD rating. Banco de Chile has been the best bank in Chile driven by i) a solid NIM that is well above the figures of peers and supported by the inflation cycle, ii) the highest coverage ratio with a figure close to 300%, iii) the lowest NPL ratio despite the cycle of asset quality deterioration and iv) the best capital ratios with a CET 1 of 13.5%, well above the regulatory minimum. That said, we highlight that the story ahead is one of normalization and the current multiple of 1.6x P/BV 2024E signals that the strong fundamentals are mostly priced in. We incorporate ROAE of 22.9% in 2023, which represents a 17.9% y/y decrease in net profits, and of 17.9% in 2024, which represents a 16.8% y/y decrease in net profits.

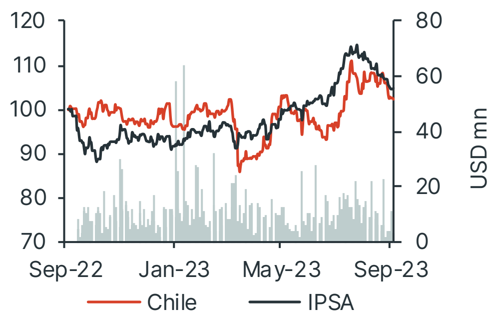
The decrease in margins will be the main catalyst for the net profit normalization in 2024. The NIM was 4.6% in 1Q23, while the NIM guidance stands at 4.3% for 2023 and 4.2% for 2024. There are multiple forces impacting the NIM at the same time. First, the decrease in inflation should impact the NIM, and for every 100-bp decrease in inflation, the NII should decrease by CLP 60-70 bn. Second, the decrease in rates should have a positive effect on the cost of funding given the repricing of term deposits. Finally, the bank continues to transform the loan mix, increasing the appetite in loans to high-income individuals. As of Jul-23, consumer loans had risen 11.9% y/y, compared to 4.6% for the industry.

The CLP 700 bn in additional provisions is the main upside risk to our thesis. This figure represents more than one year of provisions, and, if reversed, it could be a game changer as the ROAE could rebound to a figure close to 26% in 2024.

Stock Data

Ticker	chile ci / bch us
Price (CLP)	89 (loc) / 19.9 (ADR)
Target (CLP)	102 (loc) / 27.2 (ADR)
Total Return	23.5%
LTM Range	74.6 - 96.4
M. Cap (USD mn)	10,071
Shares Outs. (bn)	101
Free Float	46%
ADTV (USD mn)	9.8

Price Chart (CLP) and Volumes (USD mn)



Valuation

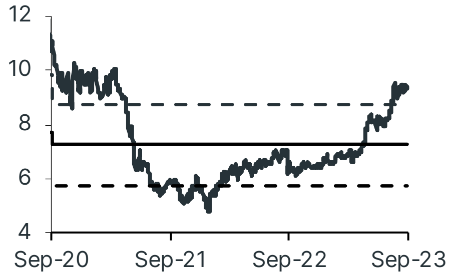
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 12.5% in CLP and perpetuity growth of 5.0%. Our TP implies a 1.9x P/BV and a 10.7x P/E 2024E, while shares are currently trading at a 1.6x P/BV and a 9.3x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4 P/E 2024E. **Our valuation models consider a long-term ROAE of 18.0%.**

Valuation Summary

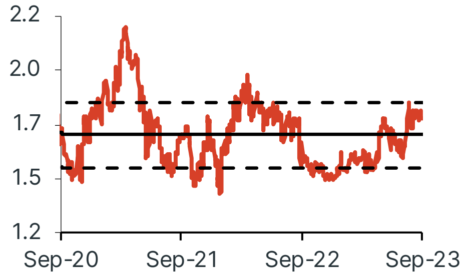
	2022	2023E	2024E	2025E
P/E	6.3	7.8	9.3	9.0
P/BV	1.8	1.7	1.6	1.5
ROAE	31.0%	22.9%	17.9%	17.6%
ROAA	2.6%	2.1%	1.7%	1.7%
Div. Yield	6.1%	9.6%	8.8%	7.3%

Sources: Company Reports and Credicorp Capital

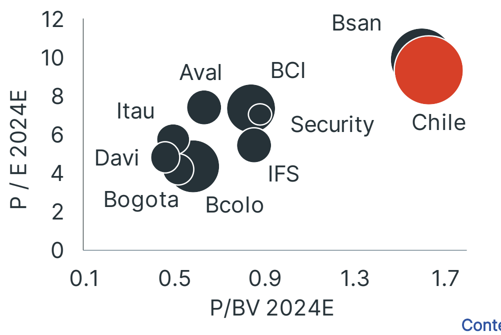
P/E 12M Forward



P/BV 12M Forward



Relative Valuation



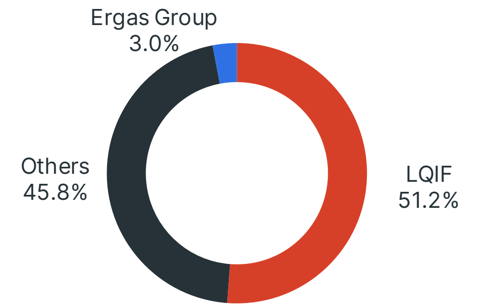
Contents

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 42 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.

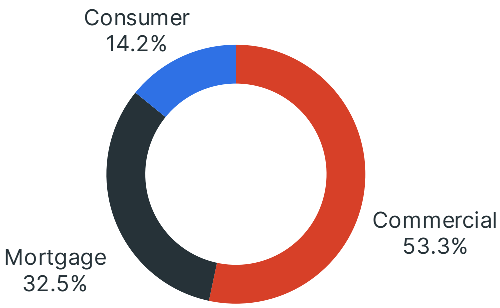
Ownership Structure



Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Net interest income	1,569	2,236	1,820	1,842	1,985
Net fee income	455	532	549	562	585
Operating income	2,230	3,116	2,895	2,815	2,943
Provision expenses	-373	-435	-344	-415	-447
Operating expenses	-888	-995	-1,064	-1,134	-1,192
Net income	793	1,409	1,157	963	996
EPS (CLP)	7.8	14.0	11.5	9.5	9.9
Net margin	35.6%	45.2%	40.0%	34.2%	33.9%

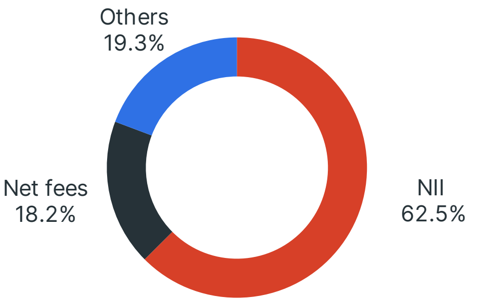
Loans by segment (2Q23)



Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	5,820	5,711	5,487	5,577	6,375
Investments	10,811	11,664	10,848	8,985	9,188
Gross loans	34,256	36,695	37,454	40,246	43,219
Total assets	51,702	55,255	55,157	56,193	60,267
Total deposits	27,683	27,540	28,575	30,501	32,755
Other funding	14,615	16,021	15,718	14,660	15,743
Total liabilities	47,479	50,397	49,916	50,696	54,442
Minority interest	0.001	0.002	0.001	0.001	0.001
Shareholder's equity	4,223	4,858	5,241	5,497	5,825
Total liabilities + Equity	51,702	55,255	55,157	56,193	60,267

Revenue breakdown (2Q23)



Ratios

	2021	2022	2023E	2024E	2025E
NIM	3.84%	5.45%	4.16%	4.07%	4.17%
Fee ratio	20.4%	17.1%	19.0%	20.0%	19.9%
Cost-to-income ratio	-39.8%	-31.9%	-36.7%	-40.3%	-40.5%
NPL / loans	0.8%	1.1%	1.3%	1.2%	1.2%
LLP / loans	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%
Cost of credit risk	-1.15%	-1.23%	-0.93%	-1.07%	-1.07%
LLP / NPL	-248%	-197%	-164%	-178%	-186%
LTD ratio	121.2%	130.4%	128.3%	129.1%	129.1%
Loan-to-funding ratio	79.3%	82.5%	82.8%	87.2%	87.2%
BIS ratio	17.3%	18.0%	18.5%	18.1%	18.5%
ROAE	19.9%	31.0%	22.9%	17.9%	17.6%
ROAA	1.6%	2.6%	2.1%	1.7%	1.7%

Sources: Company Reports and Credicorp Capital

Management

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

CredicorpCapital

Banco Santander

Rating: Buy
TP: CLP 50.0 (loc) / USD 26.7 (ADR)

Equity Research Chile
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Lesson learnt for Santander. A completely different scenario in 2024 with the recovery of margins

Investment Thesis

We are introducing our 2024E TP of CLP 50/share (USD 26.7 ADR) and updating our rating to BUY. Our positive view on Santander is driven by i) a recovery of margins starting in 2H23 with the decrease in interest rates and the expiration of the FCIC in 1H24, ii) strong fee generation supported by the digital strategies and iii) a solid cost control strategy, which should lead to an OPEX decrease in 2023. The recovery story ahead, along with a recent decrease in prices to a multiple of 1.6x P/BV 2024E, open the door to increase the exposure to Santander. We are incorporating a 13.0% ROAE in 2023 and a recovery to 16.9% in 2024, which represents a 40% net profit increase next year.

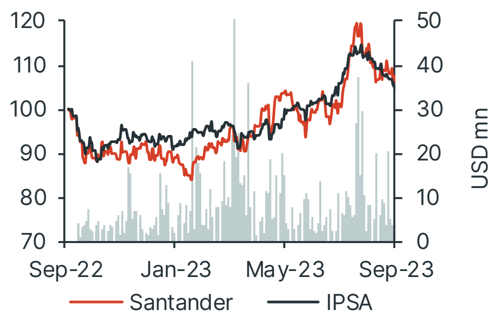
Margins will go in an opposite direction than the rest of the industry. The improvements in margins should come from two fronts. First, the decrease in rates coming from the central bank should have a positive effect on the cost of funding as Santander has a negative sensitivity to increases in rates. For every 100-bp decrease in rates, the NIM should improve by 30 bps. Second, the expiration of the FCIC in 1H24 should reduce the negative position of swaps that is currently weighing on margins. Santander has CLP 5.7 tn of the FCIC, the highest amount among peers, while the negative position of the derivatives amounts to 41% of the total interest expenses in 2023. Thus, we expect the NIM to rebound from 2.3% in 2023 to 3.5% in 2024 (+55% y/y for the NII) and reach the 4.0% area in 2025.

The robust fee generation should take Santander to a 19% ROAE in the long term. Fees expanded 38.5% y/y in 1H23 driven by client growth and higher transactions. As a result, fees now cover almost 60% of the expenses, compared to 35% in 2019.

Stock Data

Ticker	bsan ci / bsac us
Price (CLP)	39.9 (loc) / 18.0 (ADR)
Target (CLP)	50.0 (loc) / 26.7 (ADR)
Total Return	29.8%
LTM Range	31.6 - 44.8
M. Cap (USD mn)	8,431
Shares Outs. (bn)	188
Free Float	33%
ADTV (USD mn)	6.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

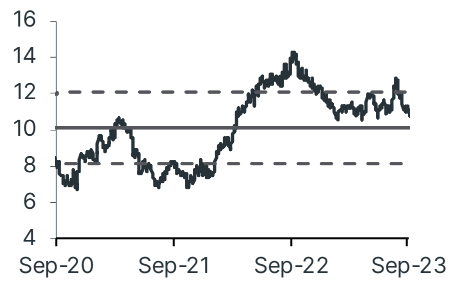
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 12.5% in CLP and perpetuity growth of 5.0%. Our TP implies a 2.0x P/BV and a 12.3x P/E 2024E, while shares are currently trading at a 1.6x P/BV and a 9.8x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **Our valuation models consider a long-term ROAE of 19.0%.**

Valuation Summary

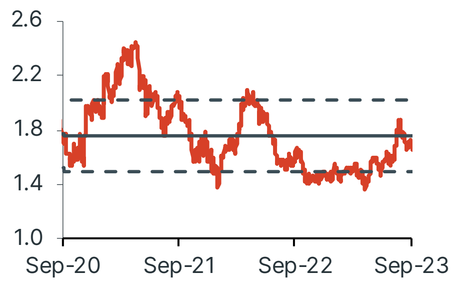
	2022	2023E	2024E	2025E
P/E	7.9	13.7	9.8	8.1
P/BV	1.6	1.7	1.6	1.5
ROAE	21.5%	13.0%	16.9%	18.8%
ROAA	1.2%	0.8%	1.1%	1.3%
Div. Yield	7.2%	6.4%	4.4%	6.1%

Sources: Company Reports and Credicorp Capital

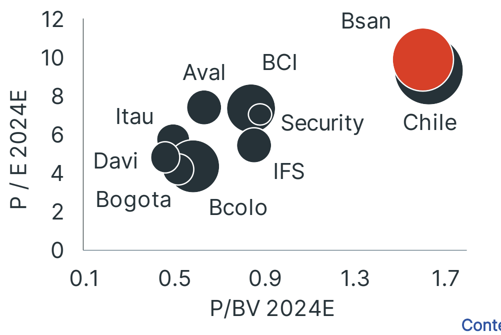
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

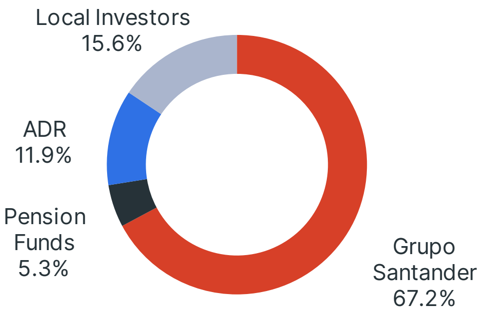


Santander

Company Description

Santander is one of the largest financial institutions in Chile, with more than ~USD 45 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.

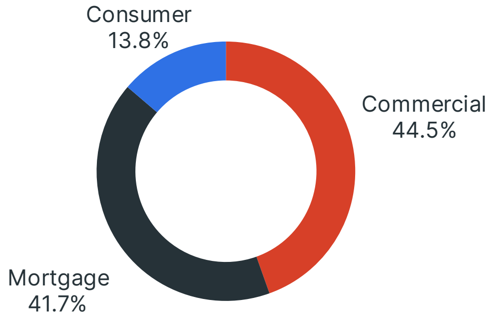
Ownership Structure



Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Net interest income	1,816	1,598	1,129	1,745	2,101
Net fee income	333	407	529	513	535
Operating income	2,303	2,245	2,004	2,489	2,827
Provision expenses	-406	-371	-458	-480	-516
Operating expenses	-917	-961	-892	-957	-1,043
Net income	775	809	549	768	923
EPS (CLP)	4.11	4.29	2.92	4.07	4.90
Net margin	33.7%	36.0%	27.4%	30.8%	32.6%

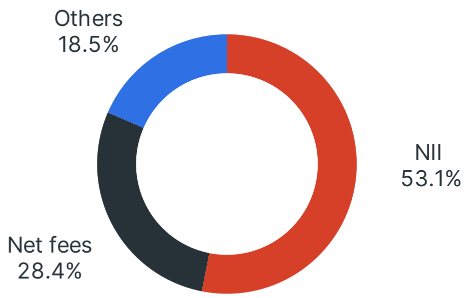
Loans by segment (2Q23)



Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	3,272	2,860	3,316	3,501	3,773
Investments	10,257	10,902	11,030	8,742	9,402
Gross loans	36,634	38,839	40,374	43,204	46,452
Total assets	63,671	68,165	67,626	66,059	71,165
Total deposits	28,032	27,065	28,820	30,669	33,051
Other funding	17,407	18,648	18,826	16,724	18,023
Total liabilities	60,176	63,926	63,166	61,185	65,937
Minority interest	94	110	124	138	154
Shareholder's equity	3,400	4,129	4,335	4,736	5,073
Total liabilities + Equity	63,671	68,165	67,626	66,059	71,165

Revenue breakdown (2Q23)



Ratios

	2021	2022	2023E	2024E	2025E
NIM	4.19%	3.38%	2.29%	3.46%	4.00%
Fee ratio	14.5%	18.1%	26.4%	20.6%	18.9%
Cost-to-income ratio	-39.8%	-42.8%	-44.5%	-38.4%	-36.9%
NPL / loans	1.2%	1.8%	2.0%	1.9%	1.9%
LLP / loans	-2.6%	-2.7%	-2.9%	-3.0%	-2.8%
Cost of credit risk	-1.14%	-0.98%	-1.16%	-1.15%	-1.15%
LLP / NPL	-213%	-144%	-144%	-159%	-147%
LTD ratio	127.3%	139.7%	136.1%	136.6%	136.6%
Loan-to-funding ratio	78.5%	82.7%	82.3%	88.4%	88.4%
BIS ratio	15.7%	17.8%	17.2%	18.3%	18.2%
ROAE	22.2%	21.5%	13.0%	16.9%	18.8%
ROAA	1.3%	1.2%	0.8%	1.1%	1.3%

Sources: Company Reports and Credicorp Capital

Management

CEO: Román Blanco

CFO: Emiliano Muratore

HIR: Cristian Vicuña

www.santander.cl

CredicorpCapital

Bancolombia

Rating: Buy
TP: COP 38,500 (loc) / USD 34.2 (ADR)

Equity Research Colombia
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Bancolombia will be the best bank in Colombia in 2023 and 2024 despite short-term challenges

Investment Thesis

We are introducing our 2024E TP of COP 38,500/share (USD 34.2 ADR) and maintaining our BUY rating. The bank should continue to outperform peers in terms of ROAE during 2023 and 2024, even when considering the normalization of results. We are incorporating a ROAE of 15.5% in 2023 and of 14.0% in 2024. The better results should continue to be explained by the strong NIM, which is above historical standards, as the bank was the most benefited institution of the cycle of interest rates. The better results along with a discounted valuation of 0.6x P/BV and 4.3x P/E 2024E support our BUY recommendation.

The main risks come from a higher need for provision expenses. Bancolombia reported a cost of risk (CoR) of 3.1% in 1H23 driven by the consumer segment and a consumer NPL of 4.2% in 2Q23. The company is guiding for a 2.4%-2.6% CoR as it believes that the worst is in the past. The PDL formation has decelerated 41% q/q, and the trend should continue considering that the loan portfolio has been flat on a YTD basis. Moreover, pre-approved loans decreased 30% y/y and 18% q/q in 2Q23, while new vintages have been performing better than those in 4Q22-1Q23. We are incorporating a CoR of 2.8% in 2023 and of 2.1% in 2024 to reflect a slightly more conservative scenario of asset quality indicators.

The NIM should normalize from historically high figures. With the decrease in rates, we estimate a NIM of 7.0% in 2023 and of 6.5% in 2024, still above the long-term target of the company and supporting the higher ROAE figures. Bancolombia continues to have a competitive advantage in the funding structure as deposits represent 86% of funding sources, compared to ~75% for its peers.

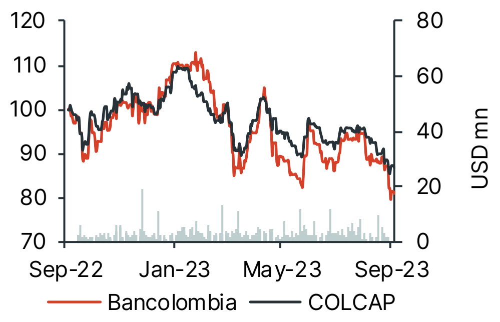
Valuation

Our 2024E 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 6.5x P/E 2024E, while shares are currently trading at a 0.6x P/BV and a 4.3x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 14.2%.**

Stock Data

Ticker	pfbcolo cb / cib us
Price (COP)	25,530 (loc)/ 25.7(ADR)
Target (COP)	38,500 (loc)/ 34.2(ADR)
Total Return	64.5%
LTM Range	25,100 - 35,490
M. Cap (USD mn)	6,512
Shares Outs. (mn)	962
Free Float	76%
ADTV (USD mn)	3.1

Price Chart (COP) and Volumes (USD mn)

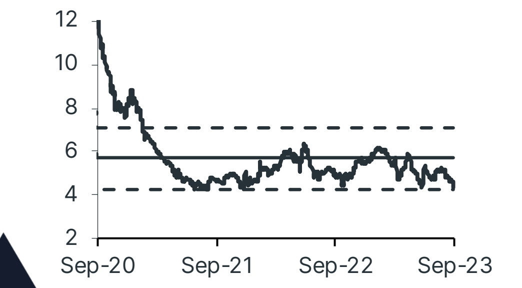


Valuation Summary

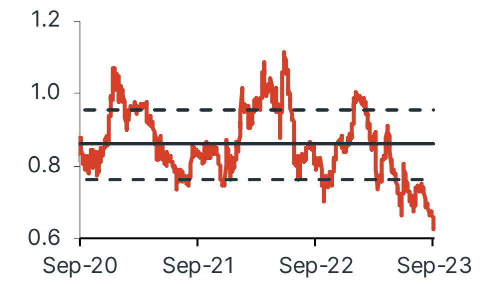
	2022	2023E	2024E	2025E
P/E	5.4	4.0	4.3	4.0
P/BV	0.9	0.6	0.6	0.5
ROAE	19.0%	15.5%	14.0%	14.1%
ROAA	2.1%	1.7%	1.6%	1.6%
Div. Yield	8.1%	13.9%	13.7%	12.8%

Sources: Company Reports and Credicorp Capital

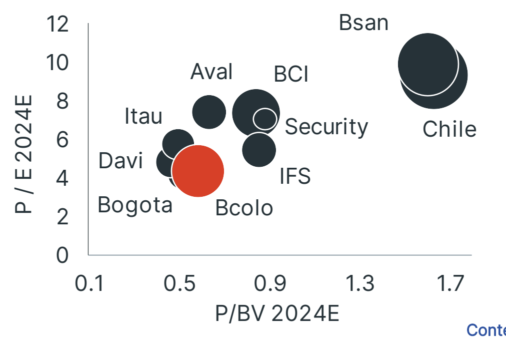
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

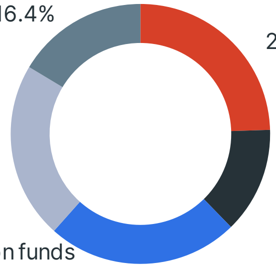


Bancolombia

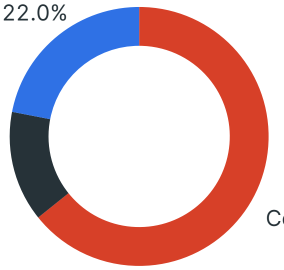
Company Description

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 ~26.4% market share in loans. The bank also has presence in Panama through Banistmo (~10.5% market share), in El Salvador through Banagrícola (~25.3% market share) and in Guatemala through Agromercantil (~11.8% market share). Bancolombia is part of the GEA group and controlled by Grupo Sura.

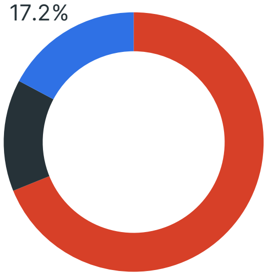
Ownership Structure



Loans by segment (2Q23)



Revenue breakdown (2Q23)



Management

CEO: Juan Carlos Mora

CFO: José Humberto Acosta

HIR: Catalina Tobón Rivera

www.grupobancolombia.com

Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Net interest income	11,784	18,354	20,210	19,218	19,411
Net fee income	3,433	3,780	3,990	4,265	4,829
Operating income	17,568	24,424	28,458	27,525	28,600
Provision expenses	-2,421	-3,792	-7,419	-5,877	-5,418
Operating expenses	-9,163	-10,888	-12,559	-13,192	-14,090
Net income	4,087	6,783	6,118	5,725	6,157
EPS (COP)	4,249	7,053	6,361	5,953	6,401
Net margin	23.3%	27.8%	21.5%	20.8%	21.5%

Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	25,330	31,645	28,614	30,427	33,018
Investments	32,010	30,856	33,391	33,469	36,427
Gross loans	220,323	269,924	268,758	288,923	313,029
Total assets	289,855	352,815	351,977	374,642	406,181
Total deposits	210,391	250,992	252,211	265,287	287,878
Other funding	31,879	40,944	37,904	43,215	46,895
Total liabilities	255,930	312,817	311,364	331,474	359,701
Minority interest	1,691	909	989	1,054	1,124
Shareholder's equity	32,234	39,089	39,624	42,114	45,355
Total liabilities + Equity	289,855	352,815	351,977	374,642	406,181

Ratios

	2021	2022	2023E	2024E	2025E
NIM	5.31%	6.99%	7.00%	6.46%	6.05%
Fee ratio	19.5%	15.5%	14.0%	15.5%	16.9%
Cost-to-income ratio	-52.2%	-44.6%	-44.1%	-47.9%	-49.3%
NPL / loans	2.9%	2.2%	3.3%	2.9%	2.8%
LLP / loans	-7.2%	-5.7%	-5.9%	-5.7%	-5.6%
Cost of credit risk	-1.18%	-1.55%	-2.75%	-2.11%	-1.80%
LLP / NPL	-247%	-266%	-179%	-197%	-198%
LTD ratio	97.2%	101.4%	100.3%	102.7%	102.7%
Loan-to-funding ratio	84.4%	87.2%	87.2%	88.3%	88.3%
BIS ratio	15.5%	12.8%	13.1%	13.2%	13.2%
ROAE	13.9%	19.0%	15.5%	14.0%	14.1%
ROAA	1.5%	2.1%	1.7%	1.6%	1.6%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Bancolombia

Fixed Income Research Colombia Banks

Cynthia Huaccha - chuaccha@credicorpcapital.com

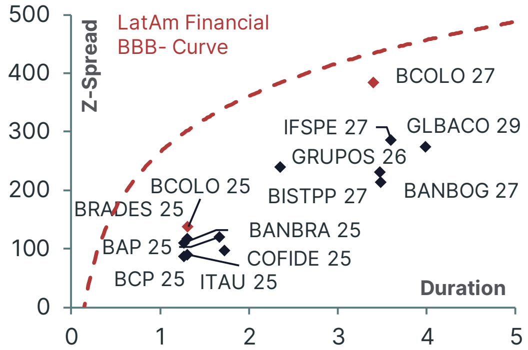
Baa2 / BB+ / BB+
Outlook: s / s / s

Waiting for decisions on the capitalization of defensive profitability

Investment Thesis

The first half of the year started to show the economic slowdown's effects on the company's main indicators. A slower dynamism of its assets was accompanied by a deterioration of the NPL ratio. On the other hand, despite maintaining a high COR, profitability is sustained with a double-digit ROE due to the good performance of the NIM. Likewise, solvency is stable, but we highlight that it is still relatively low compared to the rest of the region. We believe that looking ahead to 2024, portfolio quality and capitalization/earnings distribution decisions will be relevant. Our recommendation is based on our belief that the issuer maintains an adequate credit profile; however, we prefer to be selective at the bond-structure level. We believe that Bancolombia's core capitalization currently has room for improvement to support its subordinated issues.

Bancolombia Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,782MM
Closest Call Date	18-Dec-24
Closest Maturity Date	29-Jan-25

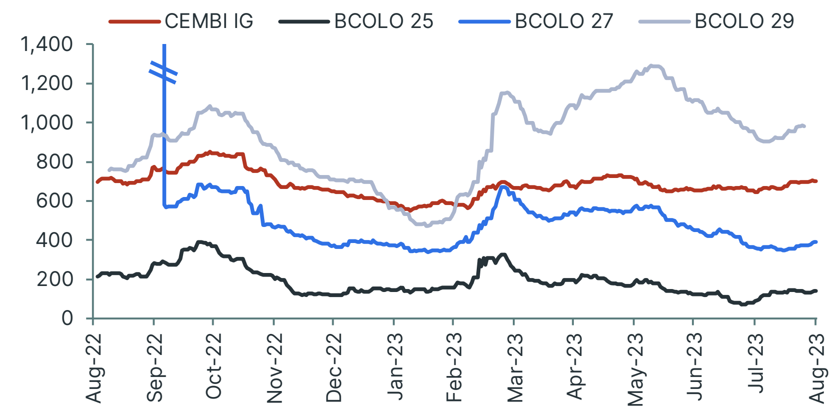
Concerns

- Relatively low capitalization
- Asset quality pressures
- Profitability margins could face pressures due lower NIM and higher COR
- Possible increase in funding costs in capital markets

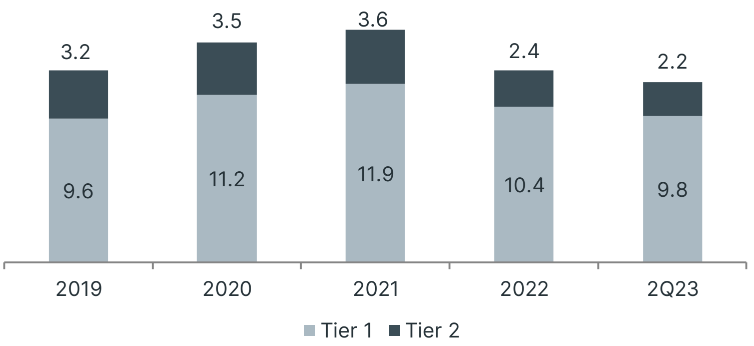
Strengths

- Strategic relevance for its economic group and the local banking system
- Strong market presence in Colombian market and CAM systems
- High coverage of NPL portfolio

Z- Spread evolution



Solvency



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BCOLO 25	USD 482mn	3.00%	Baa2 / NR / BB+	137	1.3	95.3	0.3%	6.6%	Overweight
BCOLO 27	USD 750mn	6.91%	Ba3 / NR / BB-	383	3.4	96.6	0.6%	7.9%	Neutral
BCOLO 29	USD 550mn	4.63%	Ba3 / NR / BB-	1,001	1.1	87.6	0.4%	15.7%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

BBVA Colombia

Fixed Income Research Colombia
Banks

Cynthia Huaccha - chuaccha@credicorpcapital.com

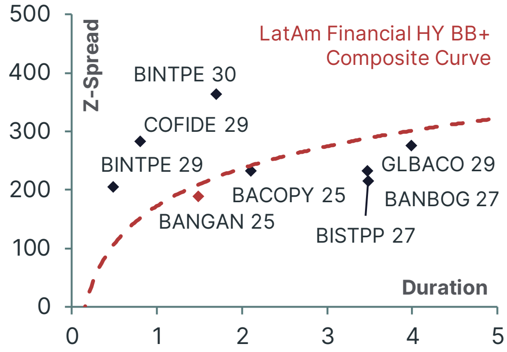
Baa2 / NR / BBB-
Outlook: s / nr / s

Noteworthy deterioration in need of support

Investment Thesis

Although in the past the bank was characterized by maintaining conservative risk policies, it has started to show and will continue to have some pressure on its main credit indicators. Although its portfolio quality and coverage are still in a better position when compared to its Colombian peers, they still have a deteriorating trend that could extend into 2024. However, the most notable factor is the very low core solvency, which is not only very low when compared to the region but is also low when compared to the Colombian banking sector. However, management is comfortable with the current level, and thus no capital contribution is expected, so we do not expect any major changes. Given the weakness of the metrics, we do not see any upside based on fundamentals. We are UW on the bond.

BBVA Colombia Bonds and comparables



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

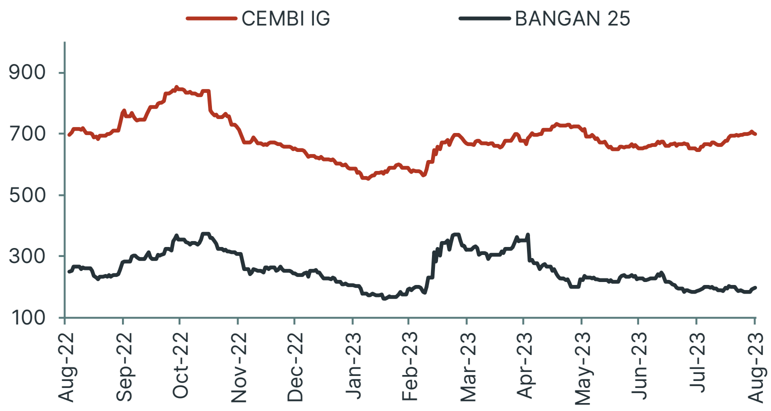
Concerns

- Significant weakness in solvency
- Pressured profitability
- Economic cycle slowly impacting asset quality

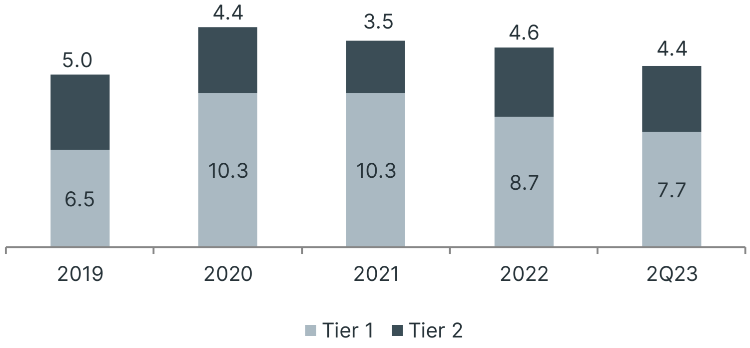
Strengths

- Still relatively better asset quality
- Rating supported by its parent company

Z- Spread evolution



Solvency



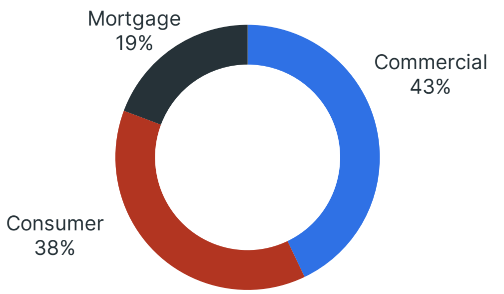
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BANGAN 25	USD 400mn	4.88%	Baa3 / NR / BB	189	1.5	96.4	0.4%	7.3%	Underweight

BBVA Colombia

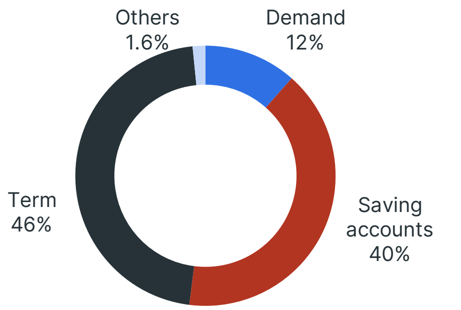
Company Description

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.

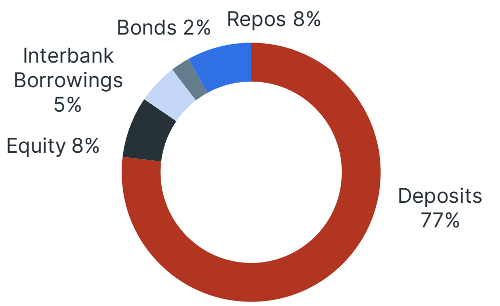
Loan Portfolio



Deposits Breakdown



Composition of funding structure



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
NPL / Total Loans	3.6%	2.8%	2.8%	2.3%	2.7%
Allowances / NPL	145.2%	214.6%	196.7%	215.5%	173.8%
NIM	5.3%	5.4%	4.9%	4.5%	3.4%
Efficiency	44.5%	44.0%	44.2%	44.2%	55.1%
Tier I Ratio	6.5%	10.3%	10.3%	8.7%	7.7%
Tier 2 Ratio	5.0%	4.5%	3.4%	4.6%	4.4%
BIS Ratio	11.5%	14.7%	13.8%	13.3%	12.1%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Interest Income	1,219	1,206	1,109	1,642	1,998
Interest Expenses (-)	-476	-453	-330	-788	-1,315
Net Interest Margin	744	753	779	854	683
Provision Loan Losses (-)	-235	-358	-233	-294	-336
Net Fee Income	9	49	52	87	103
Operating Expenses (-)	-627	-771	-672	-826	-948
Net Income	175	110	212	245	109
Net Interest Margin (%)	61.0%	62.5%	70.3%	52.0%	34.2%
Net Income Margin (%)	23.5%	14.6%	27.3%	28.7%	16.0%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	1,346	1,495	2,632	2,461	2,585
Investments	2,068	1,768	1,735	2,092	2,335
Gross Loans	11,848	12,164	14,066	16,975	17,698
Allowances (-)	-614	-734	-769	-830	-843
Total Assets	15,683	16,436	19,068	23,759	24,865
Deposits	11,290	12,395	14,116	16,497	16,876
Interbank Loans	622	622	710	1,281	1,105
Bonds	520	550	570	639	526
Equity	1,244	1,314	1,465	1,603	1,763
ROAE	14.0%	8.4%	14.5%	15.3%	6.2%
ROAA	1.1%	0.7%	1.1%	1.0%	0.4%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

BBVA Peru

Fixed Income Research Peru
Banks

Baa1 / BBB / BBB
Outlook: n / n / s

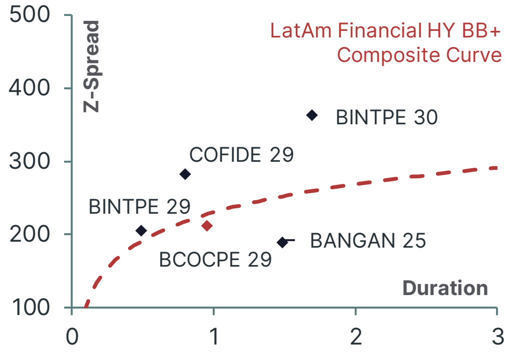
Cynthia Huaccha - chuaccha@credicorpcapital.com

NPL trend under the spotlight

Investment Thesis

The bank maintains an adequate profile that is defended by its high profitability and adequate solvency; however, we recognize that its portfolio quality level has been significantly affected and has been showing a deterioration trend. This is partially offset by the fact that the main driver behind this is the effect of the Reactiva program (due to loan repayments and the non-payment of certain loans) as the program has back-up guarantees. An additional challenge to be faced is the exposure to the impact of the El Niño phenomenon We believe that in general terms Peruvian banks have a good track record of handling this type of event; however, in the case of BBVA, the already high level of NPLs could add extra pressure. We believe this will be one of the main issues to monitor. On the other hand, a positive factor in terms of strategy is the relatively lower risk of Peruvian bond structures as they do not contain triggers related to interest or principal payments unlike others in the region.

BBVA Peru Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 300MM
Closest Call Date	22-Sep-24
Closest Maturity Date	22-Sep-29

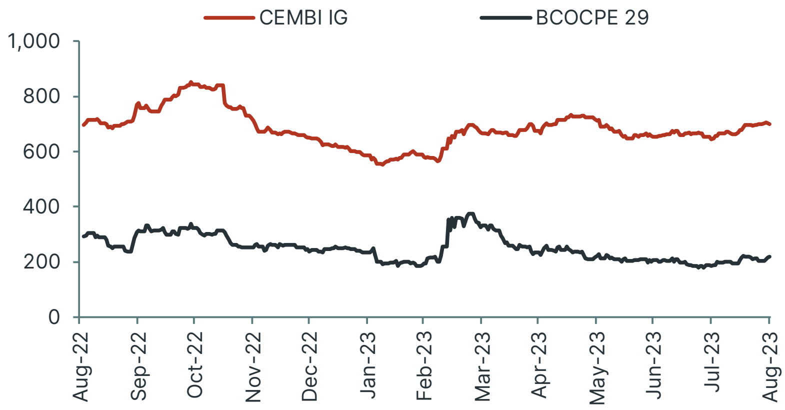
Concerns

- Continuous deterioration of portfolio quality
- Risk of exposure to the El Niño phenomenon
- Exposure to lower investment due to political noise in Peru

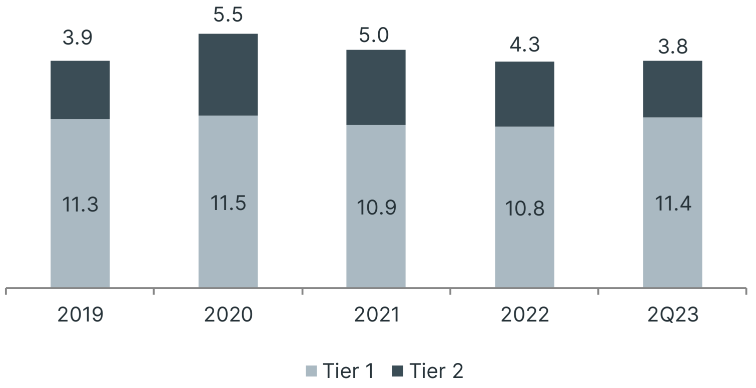
Strengths

- Strategic relevance for its economic group and the local banking system
- Adequate solvency
- Profit-focused track record

Z- Spread evolution



Solvency



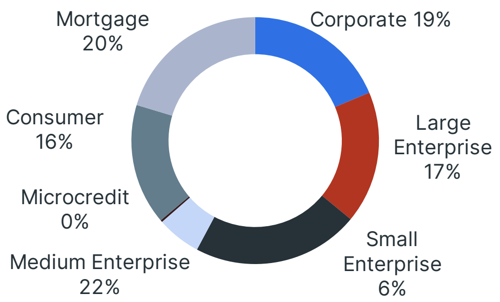
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BCOCPE 29	USD 300mn	5.25%	NR / BBB- / BB+u	212	1.0	97.4	0.4%	8.0%	Neutral

BBVA Peru

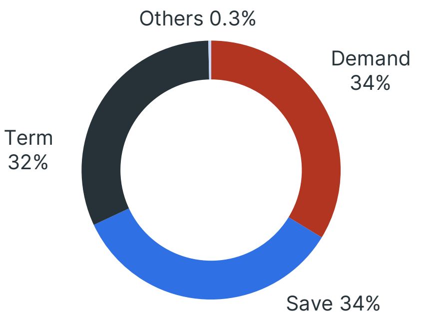
Company Description

It is the second largest bank in Peru. It benefits from adequate diversification in terms of business and funding profile. The BBVA Group's support is a factor that improves the bank's credibility with investors.

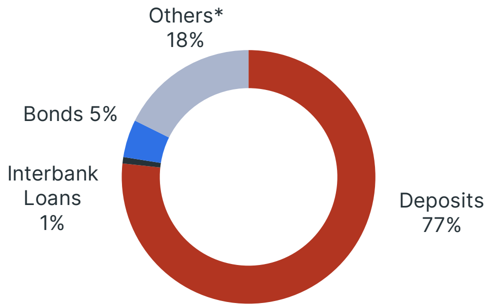
Loan Portfolio



Deposits Breakdown



Liabilities Breakdown



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
NPL / Total Loans	2.8%	3.0%	3.3%	3.7%	4.0%
Allowances / NPL	172.8%	203.4%	188.6%	169.7%	161.5%
NIM	5.3%	4.3%	4.3%	5.3%	6.1%
Efficiency	43.7%	47.0%	44.6%	43.5%	42.9%
Tier 1 Ratio	11.0%	10.8%	10.3%	10.4%	12.2%
Tier 2 Ratio	3.1%	2.9%	3.9%	3.6%	3.5%
BIS Ratio	14.1%	13.7%	14.1%	14.0%	15.7%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Interest Income	1,308	1,172	1,160	1,576	1,890
Interest Expenses (-)	-378	-289	-175	-310	-478
Net Interest Margin	930	883	985	1,265	1,412
Provision Loan Losses (-)	-207	-475	-209	-275	-167
Net Fee Income	217	214	232	240	253
Operating Expenses (-)	-501	-516	-545	-643	-703
Net Income	444	180	430	527	543
Net Interest Margin (%)	71.1%	75.3%	84.9%	80.3%	74.7%
Net Income Margin (%)	47.7%	20.4%	43.6%	41.7%	38.5%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	4,079	6,872	4,479	3,343	4,034
Investments	1,814	3,134	2,676	3,190	1,934
Gross Loans	16,285	19,518	20,520	20,318	20,116
Allowances (-)	-792	-1,203	-1,270	-1,275	-1,309
Total Assets	22,525	29,599	28,017	27,055	27,684
Deposits	15,066	19,518	17,394	18,207	18,360
Interbank Loans	430	412	283	287	455
Bonds	2,643	1,938	1,927	1,111	1,180
Equity	2,533	2,584	2,807	3,103	3,153
ROAE	17.5%	7.0%	15.3%	17.0%	17.2%
ROAA	2.1%	0.7%	1.5%	1.9%	2.0%

Sources: Company Reports and Credicorp Capital

BCI

Rating: Buy
TP: CLP 33,000

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

The strategy ahead makes sense, but we need to see some milestones to be more positive on BCI

Investment Thesis

We are introducing our 2024E TP of CLP 33,000/share and maintaining our BUY rating. We believe the capital increase of CLP 600 bn (~USD 700 mn) will be successfully completed in 4Q23 and should allow BCI to comply with Basel III standards. Thus, the CET 1 should improve to ~11%, well above the minimum of 9.25% for BCI. The additional capital will have an impact on profitability in 2024 as we estimate a ~12% ROAE. Moreover, to achieve the 14% ROAE in the long term, BCI depends on a successful implementation and monetization of the digital strategy, something that is not currently reflected in the bank. The story ahead makes sense, and we need to see some milestones in the right direction as the short term of the company presents key risks. In any case, the stock still looks discounted trading at 0.9x P/E 2024E and should be considered a long-term opportunity.

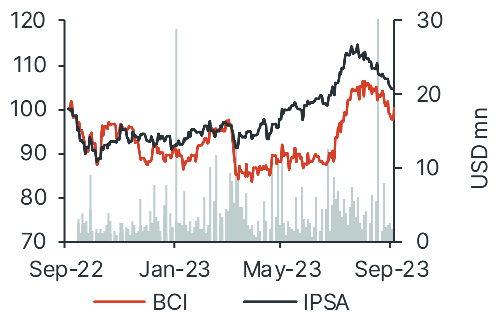
BCI plans to reach 10 mn clients in 2026. BCI currently has 5.8 mn clients, of which 4 mn are from MACH. However, the solid number of clients has not translated into a relevant monetization, which is a process that should start in all platforms in 2024-2025.

BCI is a long-term opportunity for investors as the short-term presents some risks. First, consumer loans decreased 11.2% y/y in Chile, leading to a decrease in market share to 11.6%, compared to 14.6% in 2019. ~44% of the annual decrease in consumer loans was explained by Servicios Financieros, which makes sense under the current context, but this performance has impacted the fee generation and the NIM. We expect fees to decrease 8.8% y/y and a NIM below 3.0% in 2023. Finally, at CNB, the operations have been quite resilient, though the increase in rates coming from the FED should impact margins.

Stock Data

Ticker	bci ci
Price (CLP)	24,148
Target (CLP)	33,000
Total Return	40.5%
LTM Range	20,159 - 25,600
M. Cap (USD mn)	5,162
Shares Outs. (mn)	191
Free Float	36%
ADTV (USD mn)	3.4

Price Chart (CLP) and Volumes (USD mn)



Valuation

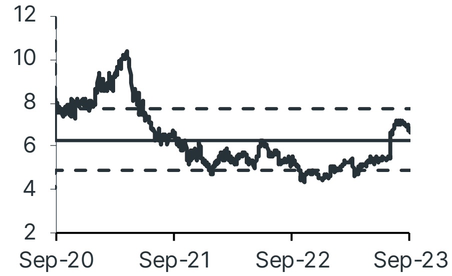
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 12.0% in CLP and perpetuity growth of 4.0%. Our TP implies a 1.2x P/BV and a 10.2x P/E 2024E, while shares are currently trading at a 0.9x P/BV and a 7.4x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 13.0%.**

Valuation Summary

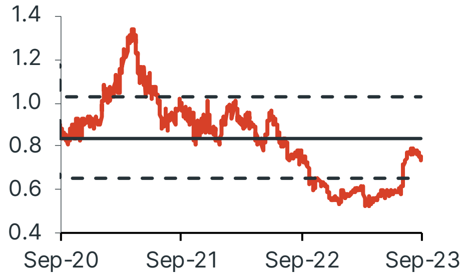
	2022	2023E	2024E	2025E
P/E	5.0	6.8	7.4	6.7
P/BV	0.9	0.9	0.9	0.8
ROAE	17.7%	12.9%	11.8%	12.4%
ROAA	1.1%	0.9%	0.9%	1.1%
Div. Yield	3.8%	5.5%	3.9%	5.5%

Sources: Company Reports and Credicorp Capital

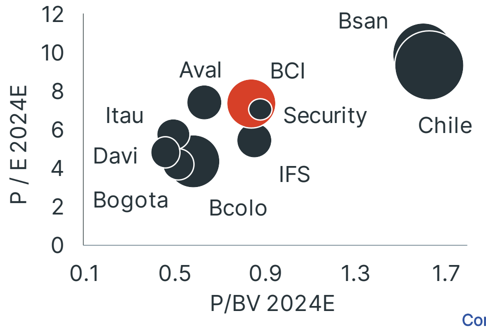
P/E 12M Forward



P/BV 12M Forward



Relative Valuation



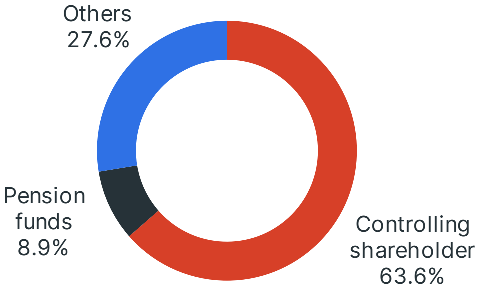
Contents

BCI

Company Description

BCI currently has ~14.3% market share in loans within Chile. In 2013, BCI announced the acquisition of City National Bank of Florida, a community bank with presence in Miami. Furthermore, BCI announced two acquisitions during 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.

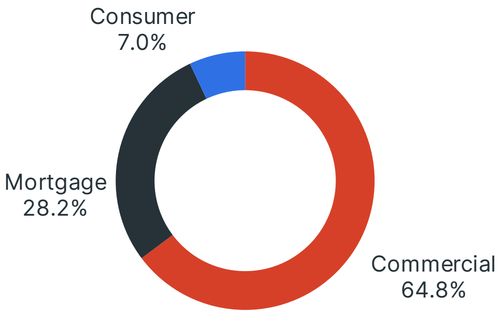
Ownership Structure



Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Net interest income	1,598	2,310	1,941	2,072	2,279
Net fee income	347	367	335	363	391
Operating income	2,161	2,699	2,493	2,700	2,953
Provision expenses	-401	-495	-468	-488	-533
Operating expenses	-1,041	-1,292	-1,226	-1,301	-1,386
Net income	520	821	684	720	818
EPS (CLP)	3,416	5,056	3,532	3,246	3,581
Net margin	24.1%	30.4%	27.5%	26.7%	27.7%

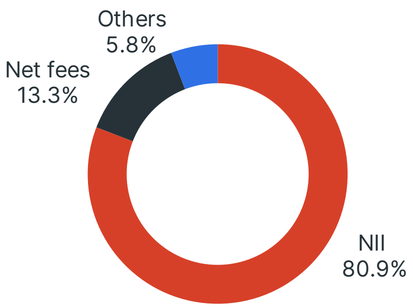
Loans by segment (2Q23)



Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	4,950	5,428	5,104	4,917	5,277
Investments	14,563	15,223	14,709	11,534	12,427
Gross loans	40,983	46,248	48,125	50,275	53,938
Total assets	69,159	78,049	77,708	75,144	80,656
Total deposits	38,519	42,368	43,446	43,223	46,340
Other funding	17,160	19,222	18,626	17,085	18,360
Total liabilities	64,657	73,272	71,880	68,811	73,823
Minority interest	1.400	1.323	1.351	1.354	1.356
Shareholder's equity	4,500	4,775	5,827	6,331	6,832
Total liabilities + Equity	69,159	78,049	77,708	75,144	80,656

Revenue breakdown (2Q23)



Ratios

	2021	2022	2023E	2024E	2025E
NIM	2.99%	3.73%	2.95%	3.15%	3.37%
Fee ratio	16.0%	13.6%	13.4%	13.4%	13.2%
Cost-to-income ratio	-48.2%	-47.9%	-49.2%	-48.2%	-46.9%
NPL / loans	0.8%	1.2%	1.1%	1.1%	1.1%
LLP / loans	-1.8%	-2.1%	-1.6%	-1.6%	-1.6%
Cost of credit risk	-1.05%	-1.13%	-0.99%	-0.99%	-1.02%
LLP / NPL	-218%	-174%	-147%	-146%	-146%
LTD ratio	104.4%	106.9%	109.0%	114.4%	114.5%
Loan-to-funding ratio	72.3%	73.5%	76.3%	82.0%	82.0%
BIS ratio	13.5%	13.0%	15.4%	17.0%	17.1%
ROAE	12.4%	17.7%	12.9%	11.8%	12.4%
ROAA	0.8%	1.1%	0.9%	0.9%	1.1%

Sources: Company Reports and Credicorp Capital

Management

CEO: Eugenio von Chrismar

CFO: José Luis Ibaibarriaga

HIR: Andrés Atala

www.bci.cl

CredicorpCapital

Besalco

Rating: Hold
TP: CLP 510

Equity Research Chile
Cement & Construction

Marco Zúñiga - mzunigac@credicorpcapital.com

Shifting to 'Hold' as Besalco nears our T.P.

Investment Thesis

We are revising our recommendation for Besalco to "Hold" while introducing a target price of CLP 510 per share. This adjustment stems from the stock's remarkable performance, despite our optimistic earnings outlook. We believe the company's machinery division and the real estate segment in Peru will be the primary catalysts for next year's results. Conversely, we anticipate a decline in earnings from the civil engineering segment, driven by contract completions, and a subdued performance in the Chilean real estate business due to a demand slump.

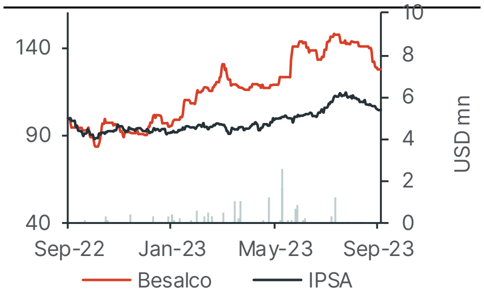
Besalco's machinery division is poised to maintain robust sales and high margins. Supported by a strong backlog, new contract signings, and increased orders for existing projects, we expect this division to contribute significantly to Besalco's earnings, representing approximately 50% of the company's total profits this year. Moreover, we anticipate steady sales momentum in the Peruvian real estate market, with a 20% contribution to overall earnings. Additionally, Besalco Energía is expected to show improved results, driven by favorable energy prices, new transmission line projects, and the execution of a photovoltaic project.

The company's reduction of its debt ratios has positioned it favorably to capitalize on upcoming growth prospects and secure new project awards, driven by the enhanced investment environment. Additionally, we anticipate that the company will utilize its cash generation to retire local bonds, resulting in reduced interest expenses and an enhancement of its cash generation capacity.

Stock Data

Ticker	besalco ci
Price (CLP)	440
Target (CLP)	510
Total Return	19.5%
LTM Range	288 - 510
M. Cap (USD mn)	284
Shares Outs. (mn)	576
Free Float	42%
ADTV (USD mn)	0.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

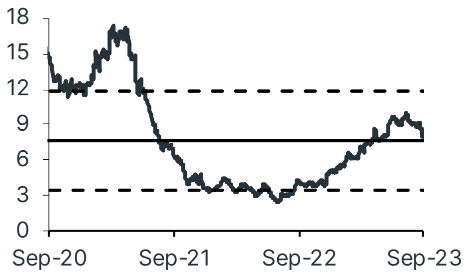
Besalco is trading at a 29% discount in terms of EV/EBITDA 12m Fwd compared to the five-year average. This multiple is equivalent to periods of high uncertainty and low investment, so we still see room for further appreciation as the company manages to renew its backlog.

Valuation Summary

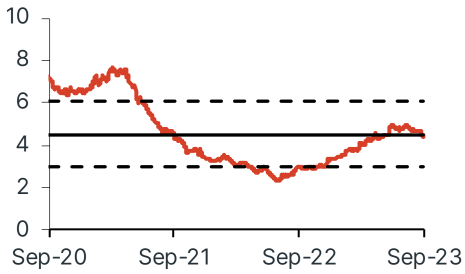
	2022	2023E	2024E	2025E
EV/EBITDA	3.7	4.5	5.1	4.9
P/E	4.8	8.4	9.4	8.7
P/CF	16.0	5.2	4.5	5.3
P/BV	0.8	0.9	0.9	0.8
Div. Yield	5.6%	4.8%	3.5%	5.3%

Sources: Company Reports and Credicorp Capital

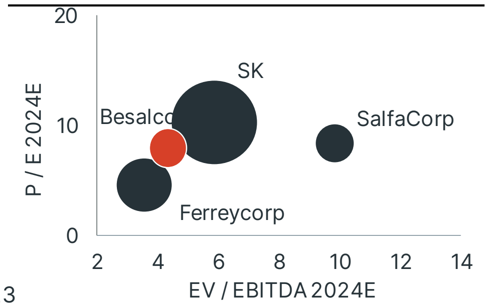
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

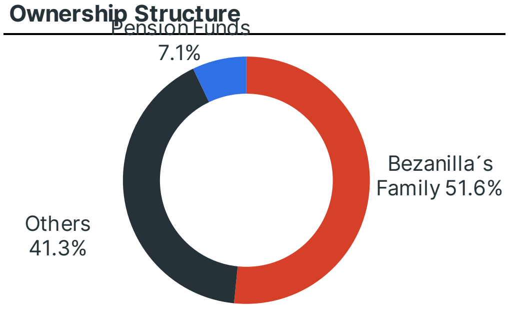


Besalco

Company Description

Besalco is the second largest construction company in Chile and has 76 years of experience in the industry. The company has expanded operations in Peru and Colombia through its subsidiary Besco. The main business sectors that the company operates in are civil works & industrial construction, machinery services, residential real estate (Chile and Peru) and concessions & energy. The company is controlled by the Bezanilla family.

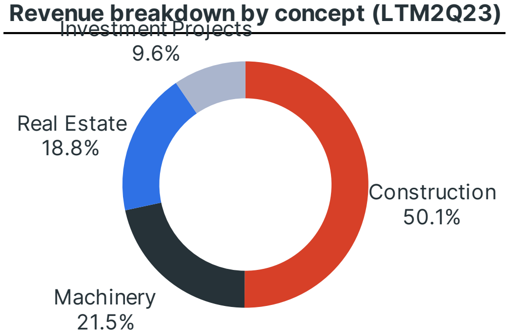
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	607,241	784,841	769,893	692,331	729,213
Gross Profit	60,290	120,996	110,926	90,263	96,352
EBITDA	76,645	127,145	123,227	108,111	111,385
Net Income	18,562	40,515	30,026	26,927	29,064
EPS (CLP)	32	70	52	47	50
Gross Margin	9.9%	15.4%	14.4%	13.0%	13.2%
EBITDA Margin	12.6%	16.2%	16.0%	15.6%	15.3%
Net Margin	3.1%	5.2%	3.9%	3.9%	4.0%

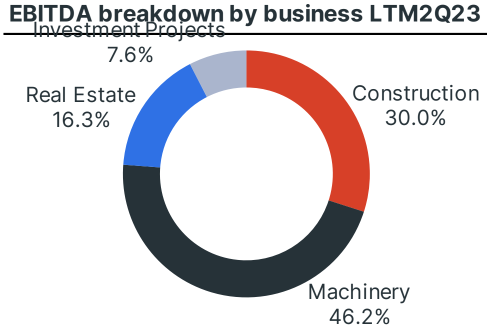
Revenue breakdown by concept (LTM2Q23)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	69,994	98,461	76,989	65,771	65,629
Total Current Assets	507,352	584,215	630,699	590,450	604,919
Total Assets	925,441	1,030,236	1,076,720	1,036,471	1,050,940
Current Liabilities	420,190	479,493	531,089	467,228	482,885
Financial Debt	356,424	364,198	339,175	328,142	317,673
Total Liabilities	702,093	765,307	786,822	727,439	725,252
Minority Interest	7,534	11,290	18,388	19,601	20,658
Shareholders Equity	215,814	253,639	271,510	289,430	305,030
Total Liabilities + Equity	925,441	1,030,236	1,076,720	1,036,471	1,050,940
Net Debt /EBITDA	3.7	2.1	2.1	2.4	2.3
Financial Debt /EBITDA	4.7	2.9	2.8	3.0	2.9
Financial Debt /Equity	1.7	1.4	1.2	1.1	1.0
ROAE	9.1%	17.3%	11.4%	9.6%	9.8%
ROAA	2.2%	4.1%	2.9%	2.5%	2.8%
ROIC	6.2%	11.9%	9.7%	7.7%	7.9%

EBITDA breakdown by business LTM2Q23



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	73,096	69,994	98,461	76,989	65,771
Cash Flow From Operation:	10,167	25,406	58,400	77,494	70,011
CAPEX	-18,084	-35,986	-38,183	-39,651	-39,651
Changes in Financial Debt	27,329	7,774	-25,023	-11,034	-10,469
Dividends (Paid) Received	-10,001	-10,811	-12,154	-9,008	-13,464
Other CFI & CFF Items	-12,513	42,083	-4,512	-29,019	-6,570
Changes in Equity	0	0	0	0	0
Final Cash	69,994	98,461	76,989	65,771	65,629
Change in Cash Position	-3,102	28,466	-21,471	-11,218	-142

Sources: Company Reports and Credicorp Capital

Management

CEO: Paulo Bezanilla
CFO: Arturo Arrigorriaga
IRO: Andrés Klein
www.besalco.cl

CredicorpCapital

Buenaventura

Rating: Buy
TP: USD 10.1

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Favorable macroeconomic environment and valuation supported by Cerro Verde

Investment Thesis

We are maintaining our Buy rating and slightly increasing our 2024YE TP to USD 10.1. We believe the current global macroeconomic scenario is favorable for precious metals, and BVN's potential upside makes it a compelling investment. In our revision of the TP, we considered higher gold, silver and copper prices, higher EBITDA from Cerro Verde and the inclusion of EV/EBITDA valuation. On the other hand, lower production, higher expected costs, CAPEX and a higher discount rate partially offset the aforementioned effects.

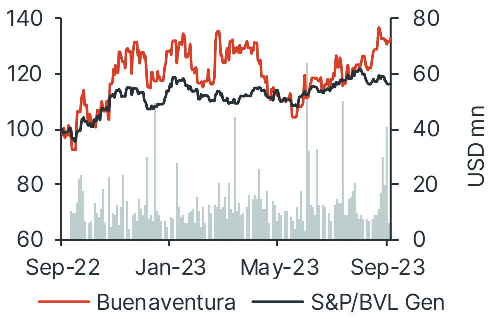
Operational results were as expected as high precious metal prices were offset by increasing costs and production disruptions due to protests in Peru. Moreover, declining copper prices affected Cerro Verde's EBITDA. We forecast gold and silver prices of 1,800-1,900 USD/oz and 23.0-24.0 USD/oz, respectively (prev. 1,620 and 21.0) for 2023-2025, while we expect copper prices to be in the range of 8,600-8,700 USD/t during the same period (prev. 8,400). Regarding production, we lowered our forecast to 512/626/655 koz of gold equivalent with 2023E prices for 2023/24/25 (prev. 613). The annual increases are due to El Brocal's copper transition, Uchuccahua's restart and Yumpag's ramp-up. BVN secured the permits for Ucchucha's restart one month earlier than was expected and expects to get the final Yumpag permits by 4Q23. On the other hand, COGS excluding DA per ton of gold equivalent should reach 953/1,029/1,054 USD/oz in 2023/24/25 (prev. 863).

EBITDA, including associates, should reach USD 533/570/583 mn for 2023/24/25 on better copper prices and milling rates at Cerro Verde. We also expect BVN to receive USD 157/196/215 mn in dividends. Thus, the ND/EBITDA ratio of BVN should reach 1.1x by 2025.

Stock Data

Ticker	bvn us
Price (USD)	8.4
Target (USD)	10.1
Total Return	20.9%
LTM Range	5.9 - 8.7
M. Cap (USD mn)	2,318
Shares Outs. (mn)	275
Free Float	84%
ADTV (USD mn)	11.0

Price Chart (USD) and Volumes (USD mn)



Valuation

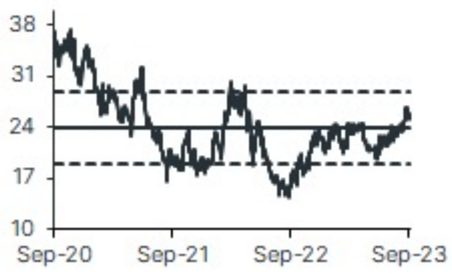
We use a 60% DCF valuation (TP of USD 9.3) and 40% EV/EBITDA relative valuation model (TP of USD 11.3). Under our DCF valuation (WACC 11.9%), the current operations and projects account for 24% of our Enterprise Value, the participation in Coimolache (5.6x EV/EBITDA) and Tinka (1% of its R&R value) for 3%, and the 19.6% participation in Cerro Verde for 73% (60% DCF WACC 12.3%, 40% 4.7x EV/EBITDA). Note we consider a Net Debt of USD 650 mn for 2024. In our relative valuation, we valued BVN at a 6.3x EV/EBITDA 2025 multiple, in line with its 8% 5-year average historical premium against its peers.

Valuation Summary

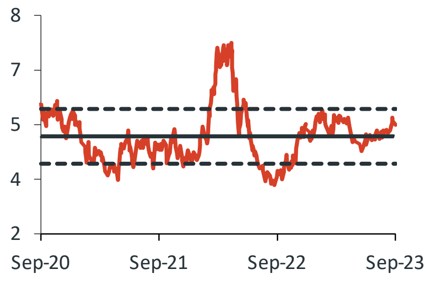
	2022	2023E	2024E	2025E
EV/EBITDA	4.7	5.6	5.2	5.1
P/E	16.8	24.0	27.0	25.3
P/CF	4.9	10.7	7.5	5.5
P/BV	0.7	0.8	0.7	0.7
Div. Yield	0.9%	0.8%	0.7%	1.6%

Sources: Company Reports and Credicorp Capital

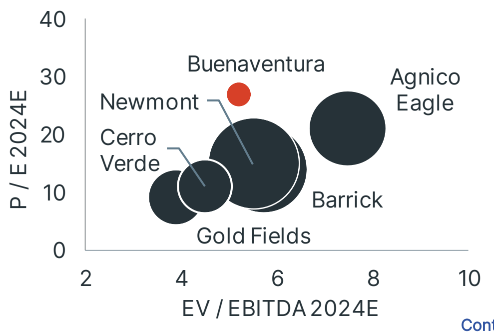
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

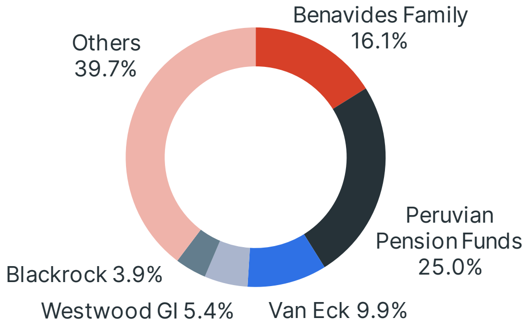


Buenaventura

Company Description

Buenaventura (BVN) ranks among the largest publicly listed precious metals mining companies in Latin America. The company's assets are shifting towards the copper industry with its brownfield and greenfield projects. The company has stakes of 19.58% in Cerro Verde, the largest copper mine 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). BVN also owns an electric power transmission company, a hydroelectric plant, and a processing plant.

Ownership Structure (2022YE)

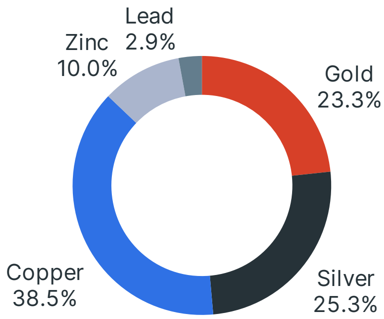


Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	900	825	743	938	980
Gross Profit	87	61	73	54	52
EBITDA	719	566	533	570	583
Net Income*	37	123	97	86	92
EPS (USD)	0.15	0.48	0.38	0.34	0.36
Gross Margin	9.7%	7.4%	9.8%	5.8%	5.3%
EBITDA Margin	79.9%	68.6%	71.7%	60.8%	59.5%
Net Margin	4.1%	14.9%	13.0%	9.2%	9.3%

*Net Income excludes a USD 301 mn loss in 2021 and a USD 480 mn gain in 2022 from the sale of the stake in Yanacocha

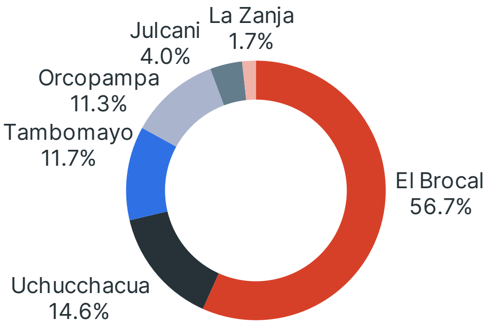
Revenue breakdown by metal (2024E)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	377	254	129	95	83
Total Current Assets	740	620	463	520	529
Total Assets	4,562	4,503	4,560	4,812	4,904
Current Liabilities	845	380	380	490	512
Financial Debt	1,133	755	745	745	745
Total Liabilities	2,023	1,340	1,319	1,502	1,540
Minority Interest	170	154	154	154	154
Shareholders Equity	2,368	3,009	3,087	3,156	3,211
Total Liabilities + Equity	4,562	4,503	4,560	4,812	4,904
Net Debt /EBITDA	1.1	0.9	1.2	1.1	1.1
Financial Debt /EBITDA	1.6	1.3	1.4	1.3	1.3
Financial Debt /Equity	0.5	0.3	0.2	0.2	0.2
ROAE	1.5%	4.6%	3.2%	2.8%	2.9%
ROAA	0.9%	2.7%	2.1%	1.8%	1.9%
ROIC	-2.5%	-1.1%	-0.7%	-1.2%	-1.2%

Revenue breakdown by unit (2024E)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**235**	**377**	**254**	**129**	**95**
Cash Flow From Operation:	23	-71	214	233	185
CAPEX	-91	-152	-310	-250	-160
Changes in Financial Debt	495	-377	-10	0	0
Dividends (Paid) Received	0	-19	-19	-17	-37
Other CFI & CFF Items	-281	457	0	0	0
Changes in Equity	-4	38	0	0	0
Final Cash	**377**	**254**	**129**	**95**	**83**
Change in Cash Position	**142**	**-123**	**-125**	**-35**	**-11**

Sources: Company Reports and Credicorp Capital

Management

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

CredicorpCapital

Canacol

Rating: Hold
TP: COP 45,300 (loc) / CAD 12.9 (TSX)

Equity Research Colombia
Oil & Gas

Steffania Mosquera - smosquera@credicorpcapital.com
Santiago Dorado - sdoradod@credicorpcapital.com

Performance aligned to the business plans; Jobo-Medellin and gas sold volumes topics to monitor.

Investment Thesis

We are maintaining our Hold recommendation on Canacol's shares and updating our 2024E TP to COP 45,300/share. We believe the company has shown a resilient performance aligned with the 2023 business plan announced in Dec-22 positively benefited by the higher registered natural gas prices net of transportation expenses amid the likelihood of the upcoming El Niño phenomenon in the country, which we expect to continue favoring the company's results in the future. We also highlight Canacol's near-term drilling program advancements in the lower and middle Magdalena Basin and the successful discovery notices in five exploration wells. In addition, the implementation of the share buyback program together with the committed quarterly dividend of CAD 0.26/share, offers investors an attractive outlook for returns on capital, in our view.

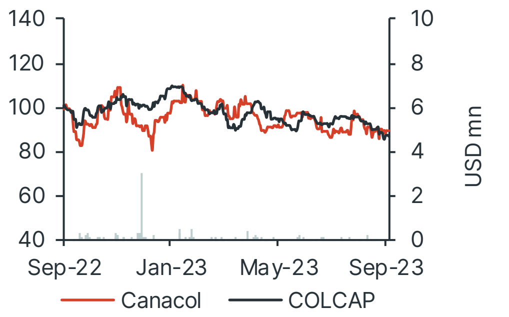
Even though the company has benefited from the higher prices, natural gas sales volumes have posted a relatively stable behavior amid the lower gas demand coming from the thermal sector given an increase in coal usage for electric generation in the country. Given the aforementioned, we expect 2023 natural gas sales to be placed towards the midpoint of the 160-206 MMscfpd guidance, and we estimate a 23E EBITDA of USD 216 mn (in line with the USD 190-263 mn guidance range).

We believe the evolution of the Jobo-Medellin project and the securing of 1P reserves will be key for Canacol's equity story. In this sense, we think further details regarding the entry into operation of the Jobo-Medellin pipeline, as well as contracting announcements for the remaining capacity, could be well received going forward.

Stock Data

Ticker	cnec cb / cne cn
Price (COP)	34,150(loc) / 11.6(TSX)
Target (COP)	45,300(loc) / 12.9(TSX)
Total Return	42.2%
LTM Range	30,800 - 42,000
M. Cap (USD mn)	292
Shares Outs. (mn)	34
Free Float	47%
ADTV (USD mn)	0.1

Price Chart (COP) and Volumes (USD mn)



Valuation

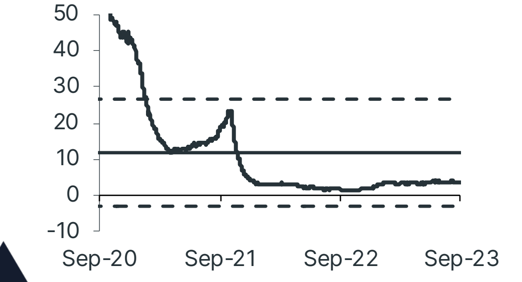
Valuations for Canacol seem discounted with a 2024 P/E of 4.0x and a 2024 EV/EBITDA of 3.8x, which are below the three-year averages of 9.6x for P/E and 3.9x for EV/EBITDA. **Our DCF-based TP is COP 45,300/share**. We highlight that our TP was affected by higher discount rates and because we prefer to incorporate gas sales linked to the Jobo-Medellin pipeline project after further progress announcements.

Valuation Summary

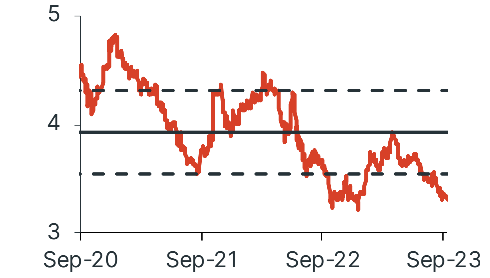
	2022	2023E	2024E	2025E
EV/EBITDA	3.8	4.2	3.8	3.4
P/E	1.7	3.5	4.0	3.6
P/CF	5.9	2.0	2.1	1.5
P/BV	1.1	1.2	1.1	1.0
Div. Yield	10.6%	9.1%	9.5%	9.3%

Sources: Company Reports and Credicorp Capital

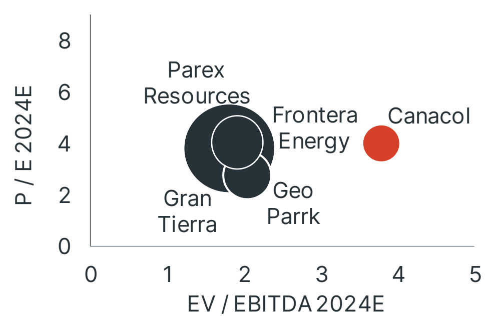
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

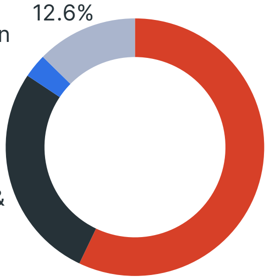


Canacol

Company Description

Canacol is one of the largest junior gas E&P players in Colombia with a succesful track record in exploration. Starting ten years ago, CNEC shifted from being mainly oil-focused to a gas market player. Canacol's business model is based on securing long-term fixed-price take-or-pay contracts, providing it with predictable stable cash flows. In addition to paying a USD ~7 mn quarterly dividend, the company is executing a share buy-back program.

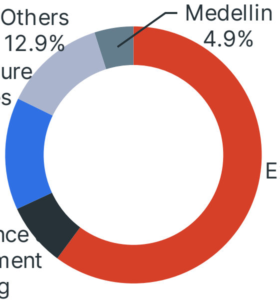
Ownership Structure



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	284	307	303	339	363
EBIT	120	109	146	162	177
EBITDA	188	178	216	240	262
Net Income	15	147	84	74	81
EPS (COP)	379	3,671	9,775	8,610	9,474
EBIT Margin	42.4%	35.7%	48.3%	47.8%	48.8%
EBITDA Margin	66.2%	58.0%	71.3%	70.6%	72.3%
Net Margin	5.3%	48.0%	27.6%	21.8%	22.4%

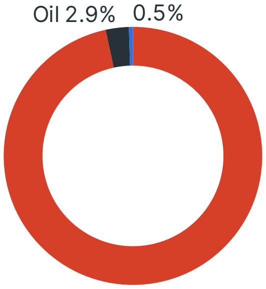
Investment Plan 2023



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	139	59	28	28	28
Trade Receivables	71	70	70	78	84
Total Assets	844	1,015	1,049	1,124	1,165
Current Liabilities	110	242	243	243	243
Financial Debt	510	479	535	575	608
Total Liabilities	659	773	801	846	880
Minority Interest	-	-	-	-	-
Shareholders Equity	185	242	248	278	286
Total Liabilities + Equity	844	1,015	1,049	1,124	1,165
Net Debt /EBITDA	2.0	2.4	2.3	2.3	2.2
Financial Debt /EBITDA	2.7	2.7	2.5	2.4	2.3
Financial Debt /Equity	2.8	2.0	2.2	2.1	2.1
ROAE	7.7%	69.0%	34.1%	28.1%	28.9%
ROAA	1.9%	15.8%	8.1%	6.8%	7.1%
ROIC	5.7%	40.0%	17.9%	13.3%	13.6%

Revenue net of Royalties and Trans.exp 2022



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**68**	**139**	**59**	**28**	**28**
Operating Cash Flow	151	140	165	183	200
CAPEX	(100)	(161)	(147)	(157)	(132)
Changes in Debt	127	(31)	56	39	33
Dividends	(30)	(27)	(27)	(28)	(27)
Other CFI & CFF Items	(78)	(0)	(78)	(37)	(75)
Changes in Equity	-	-	-	-	-
Final Cash	**139**	**59**	**28**	**28**	**28**
Change in Cash Position	**70**	**-80**	**-31**	**0**	**0**

Sources: Company Reports and Credicorp Capital

Management

CEO: Charle Gamba
CFO: Jason Bednar
IRO: Carolina Orozco
www.canacolenergy.com

CredicorpCapital

CAP

Equity Research Chile
Mining

Rating: Hold
TP: CLP 7,500

Marco Zúñiga - mzunigac@credicorpcapital.com

Our Hold rating reflects the steel business challenges and iron ore demand concerns

Investment Thesis

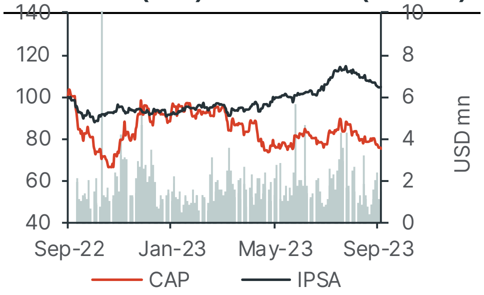
We are downgrading our recommendation to Hold and introducing a target price of CLP 7,500 per share, implying a total return of 31%. We are adopting a more cautious stance regarding the iron ore market due to China's weakened real estate sector and its authorities' decarbonization goals, which cast doubt on a commodity price recovery. Reduced demand has kept margins tight for Chinese steel mills, raising concerns about downward pressure on iron ore prices. As a result, we are projecting a realized price of USD 93/ton for CAP in the upcoming year. On the flip side, cash cost is expected to decrease to the range of USD 50-55/ton as inflation subsides. However, according to management, a stronger CLP contributed to a USD 4 increase in cash cost, and we expect this increase to persist next year in line with our exchange rate forecast.

The steel business will continue to drag down results. We do not foresee improvements in local steel demand, and, in line with global conditions, we expect the steel division to report significant losses throughout 2024 despite cost-cutting plans aimed at saving USD 60 mn next year. **Given this year's expected losses, the company will likely not distribute dividends next year.**

Stock Data

Ticker	cap ci
Price (CLP)	5,710
Target (CLP)	7,500
Total Return	31.3%
LTM Range	5,049 - 7,842
M. Cap (USD mn)	957
Shares Outs. (mn)	149
Free Float	46%
ADTV (USD mn)	1.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

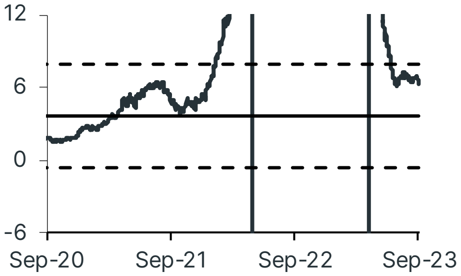
We believe that valuations are fair when compared to global peers. CAP is currently trading at a multiple of 4.8x EV/EBITDA 2024E, which is in line with the industry average and slightly above Vale. We think that the challenges faced by the iron ore market will prevent a rerating in the short term. Additionally, CAP is expected to continue reporting losses in the steel business.

Valuation Summary

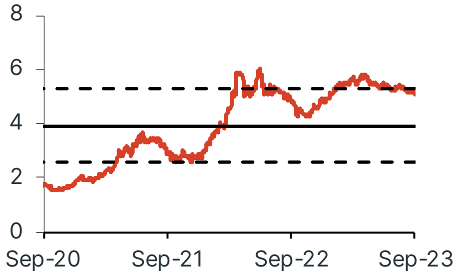
	2022	2023E	2024E	2025E
EV/EBITDA	3.0	4.6	4.8	5.0
P/E	5.6	nm	8.5	8.7
P/CF	-54.7	9.5	3.2	3.6
P/BV	0.5	0.4	0.4	0.4
Div. Yield	49.2%	5.5%	0.0%	11.7%

Sources: Company Reports and Credicorp Capital

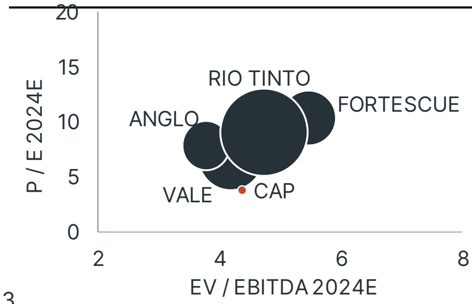
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

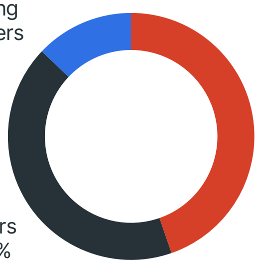


CAP

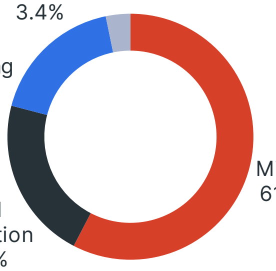
Company Description

CAP is a Chilean iron mining, steel producing and steel processing company, which is engaged in the production of iron ore (CMP) with an annual capacity of roughly 18mn tons, which represents+G20 ~1% of the global annual capacity. CAP is the largest local steel producer (Huachipato) with a total capacity of 800k tons of crude steel. The infrastructure segment manages its own port infrastructure, a desalinization plant and a transmission line, providing services to the other subsidiaries.

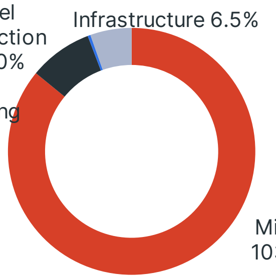
Ownership Structure



Revenue breakdown by concept (2022)



EBITDA breakdown by business 2022



Management

CEO: Nicolás Burr

CFO: Alejandro Sanhueza

IRO: Paula Salinas/Javiera Mercado

www.cap.cl

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	3,677	3,006	2,848	2,637	2,490
Gross Profit	1,712	763	532	484	437
EBITDA	1,814	910	677	655	622
Net Income	741	218	-31	112	110
EPS (CLP)	4,227	1,239	-184	671	654
Gross Margin	46.6%	25.4%	18.7%	18.4%	17.5%
EBITDA Margin	49.3%	30.3%	23.8%	24.8%	25.0%
Net Margin	20.2%	7.2%	-1.1%	4.3%	4.4%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	868	271	275	451	501
Total Current Assets	1,940	1,686	1,619	1,712	1,710
Total Assets	6,612	6,562	6,683	6,750	6,715
Current Liabilities	1,620	1,487	1,184	1,127	1,099
Financial Debt	703	1,013	1,318	1,249	1,247
Total Liabilities	2,945	2,862	3,119	3,003	2,973
Minority Interest	1,425	1,423	1,370	1,441	1,439
Shareholders Equity	2,243	2,277	2,194	2,306	2,303
Total Liabilities + Equity	6,612	6,562	6,683	6,750	6,715
Net Debt /EBITDA	-0.1	0.8	1.5	1.2	1.2
Financial Debt /EBITDA	0.4	1.1	1.9	1.9	2.0
Financial Debt /Equity	0.3	0.4	0.6	0.5	0.5
ROAE	34.5%	9.6%	-1.4%	5.0%	4.8%
ROAA	11.9%	3.3%	-0.5%	1.7%	1.6%
ROIC	29.0%	10.2%	-3.6%	4.5%	4.7%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**422**	**868**	**271**	**275**	**451**
Cash Flow From Operation:	1,412	-281	303	475	467
CAPEX	-420	-440	-500	-300	-300
Changes in Financial Debt	-22	310	305	-69	-2
Dividends (Paid) Received	-462	-603	-53	0	-112
Other CFI & CFF Items	-61	418	-52	70	-2
Changes in Equity	0	0	0	0	0
Final Cash	**868**	**271**	**275**	**451**	**501**
Change in Cash Position	**446**	**-596**	**3**	**176**	**51**

Sources: Company Reports and Credicorp Capital

CCU

Rating: Hold
TP: CLP 7,400 (loc) / USD 19.7 (ADR)

Equity Research Chile
Food & Beverage

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

A compelling tale of operational results recovery shadowed by the increased uncertainty about Argentina.

Investment Thesis

We are downgrading our recommendation to Hold from Buy with a 2024YE TP of CLP 7,400. After a challenging operational year in 2022, during the 1H23 several factors such as the stabilization of raw material prices (packaging inputs, in particular), a strengthened CLP (over 60% of COGS are dollarized), ongoing efficiency plan encompassing various cost-reduction initiatives and price actions allowed the company to exhibit a 9% growth in EBITDA. CCU is the beverages player for which we forecast the largest increase in EBITDA for this year (+17%) as well as in cumulative terms for the period 2023-2024 (+34%), enabling the company to achieve an EBITDA in 2024 higher than that reported in 2021, however…

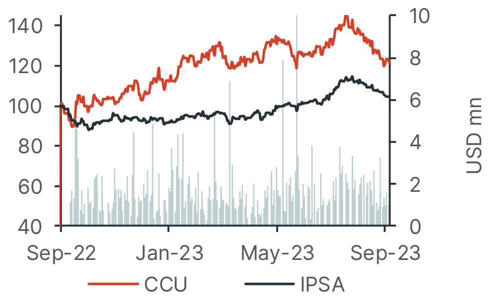
Uncertainty in Argentina is hindering the value offered by a results recovery that should consolidate in the coming quarters. The political and macro situation in Argentina is an issue that investors are monitoring closely and trying to minimize or avoid. We refer to the upcoming presidential elections amid a debt-crisis, the risks associated to the future of the ARS and the consequent weakening in consumer demand. While CCU's international operations (with the bulk related to Argentina where it holds a 33% market share in the beer segment) contributed 21% of the consolidated EBITDA in the 1H23 (~29% in 2022), our DCF model which yields a fair value of ~CLP 7,300/share indicates that Argentina represents only 4% of the enterprise value with an implicit EV/EBITDA ratio below 2x.

We like CCU as it offers the most appealing history of results recovery… but, based on our conversations with investors, their current stance on names with relevant exposure to Argentina is one of "wait and see" for now.

Stock Data

Ticker	ccu ci / ccu us
Price (CLP)	6,090 (loc) / 13.6 (ADR)
Target (CLP)	7,400 (loc) / 19.7 (ADR)
Total Return	26.6%
LTM Range	4,491 - 7,345
M. Cap (USD mn)	2,525
Shares Outs. (mn)	370
Free Float	34%
ADTV (USD mn)	1.7

Price Chart (CLP) and Volumes (USD mn)



Valuation

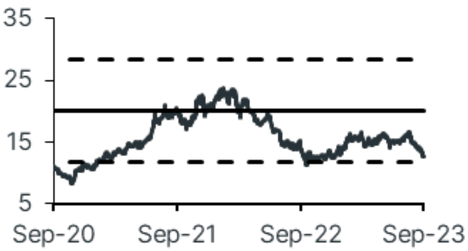
Our target price is based on a blended valuation (50% for a 10-year DCF model, 25% historical multiples and 25% SOTP). For the historical valuation ratio, we use 6.8x EV/EBITDA. For our SOTP model we consider fair EV/EBITDA multiples of ~8x for its business in Chile as well as for the wine segment, and ~3x for the international division with the bulk explained by CCU's exposure to Argentina. CCU's shares trade at a mid-teens discount vs. its 5-year average which is very much in line with the observed for other global peers such as ABInbev and Heineken.

Valuation Summary

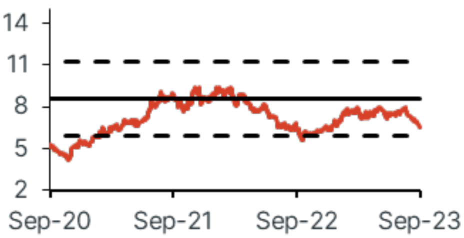
	2022	2023E	2024E	2025E
EV/EBITDA	8.4	7.4	6.5	6.0
P/E	17.8	15.4	12.6	11.4
P/CF	-17.0	13.5	12.0	9.6
P/BV	1.6	1.7	1.6	1.5
Div. Yield	7.5%	3.9%	5.0%	5.9%

Sources: Company Reports and Credicorp Capital

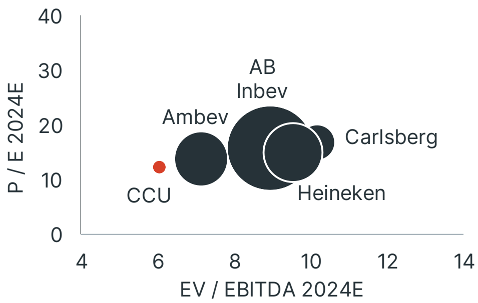
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



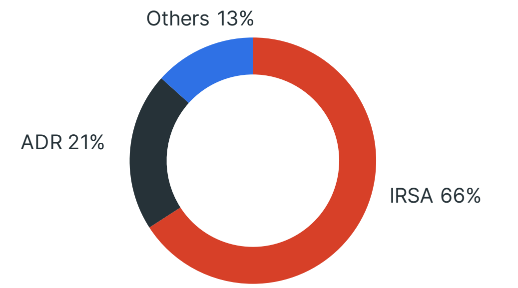
Contents

CCU

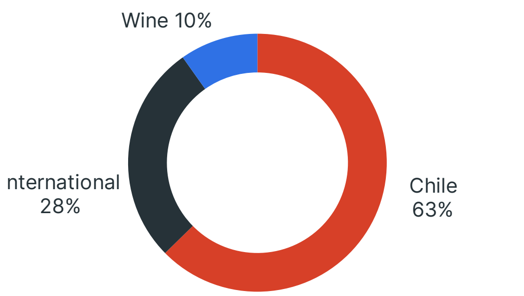
Company Description

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.

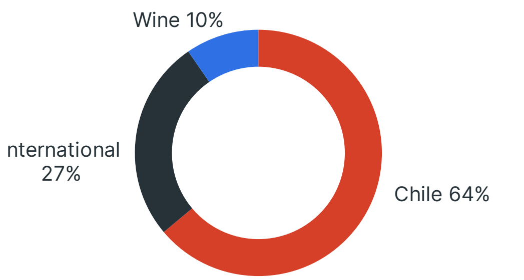
Ownership Structure



Sales by division (LTM)



EBITDA breakdown by country (LTM)



Management

CEO: Patricio Jottar
CFO: Felipe Dubernet
IRO: Claudio Las Heras
www.ccu.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	2,484,712	2,711,435	2,769,811	2,861,196	3,044,651
Gross Profit	1,193,152	1,196,510	1,304,559	1,378,792	1,467,210
EBITDA	444,998	357,929	420,183	481,024	516,934
Net Income	199,163	118,168	146,112	178,791	198,210
EPS (CLP)	539	320	395	484	536
Gross Margin	48.0%	44.1%	47.1%	48.2%	48.2%
EBITDA Margin	17.9%	13.2%	15.2%	16.8%	17.0%
Net Margin	8.0%	4.4%	5.3%	6.2%	6.5%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	289,420	642,740	464,580	448,375	485,931
Total Current Assets	1,091,372	1,661,948	1,425,967	1,437,394	1,528,925
Total Assets	2,846,751	3,595,079	3,617,331	3,740,748	3,906,502
Current Liabilities	781,115	797,152	613,683	618,861	656,214
Financial Debt	565,849	1,370,707	1,374,396	1,392,065	1,416,924
Total Liabilities	1,421,235	2,159,110	2,154,707	2,193,184	2,270,657
Minority Interest	117,897	120,943	125,030	144,895	166,918
Shareholders Equity	1,307,618	1,315,026	1,337,593	1,402,668	1,468,928
Total Liabilities + Equity	2,846,751	3,595,079	3,617,331	3,740,748	3,906,502
Net Debt /EBITDA	0.6	2.0	2.2	2.0	1.8
Financial Debt /EBITDA	1.3	3.8	3.3	2.9	2.7
Financial Debt /Equity	0.4	1.0	1.0	1.0	1.0
ROAE	15.3%	9.0%	11.0%	13.0%	13.8%
ROAA	7.4%	3.7%	4.1%	4.9%	5.2%
ROIC	15.0%	11.3%	9.7%	10.4%	10.8%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**408,602**	**289,420**	**642,740**	**464,580**	**448,375**
Cash Flow From Operations	156,231	-140,220	109,867	240,821	289,439
CAPEX	-171,854	-203,603	-172,258	-180,844	-166,814
Changes in Financial Debt	78,908	804,858	3,689	17,670	24,859
Dividends (Paid) Received	-274,136	-158,321	-87,444	-113,716	-131,951
Other CFI & CFF Items	91,670	50,606	-32,013	19,865	22,022
Changes in Equity	0	0	0	0	0
Final Cash	**289,420**	**642,740**	**464,580**	**448,375**	**485,931**
Change in Cash Position	**-119,182**	**353,320**	**-178,160**	**-16,205**	**37,556**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Celsia

Rating: Hold
TP: COP 3,300

Equity Research Colombia
Utilities

Steffania Mosquera - smosquera@credicorpcapital.com
Santiago Dorado - sdoradod@credicorpcapital.com

Discounted versus fundamentals, but leverage and risks related to El Niño make us choose to take a wait-and-see approach.

Investment Thesis

We are updating our valuation model for Celsia, **introducing our 2024E TP of COP 3,300/share while maintaining our Hold recommendation.** Even though we acknowledge that valuations for Celsia seem discounted versus its history, we would rather take a neutral approach on the name since Colombia is expected to face an El Niño phenomenon in 2024 and the regulatory risks are clouding the company's equity story. Finally, we would like to see the evolution of the company's financial expenses, which have increased significantly in the past year (+93.4% y/y in 2Q23).

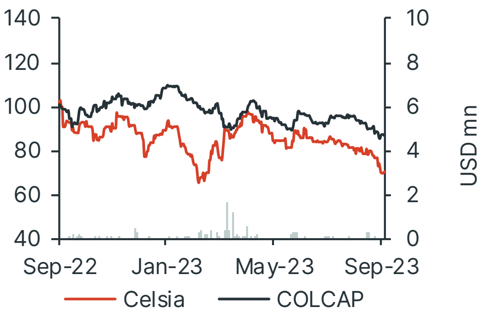
The El Niño phenomenon and risks on the regulatory front make us choose to take a neutral stance on Celsia. Even though we recognize that the company has strengthened its operations in preparation for an El Niño phenomenon and that it has acquired a hedge against high energy spot prices, we still see some risks associated with potential EBITDA margin drops due to higher production costs in the generation segment. Furthermore, the threat of the El Niño phenomenon occurring during the upcoming months and a tight liquidity position from energy merchandizers have heated up the regulatory discussion in Colombia related to heightened volatility in energy spot prices, which could set the grounds for adjustments to how energy spot prices are determined.

Awaiting improvements in financial leverage before becoming more constructive on the name. Even though we believe the company's divestment of USD 194 mn worth of assets in Central America (to be reflected in 3Q23) should ease leverage, we highlight that Celsia's financial expenses have increased ~114.0% YTD resulting in a 42.1% YTD drop in earnings.

Stock Data

Ticker	Celsia cb
Price (COP)	2,250
Target (COP)	3,300
Total Return	60.5%
LTM Range	2,090 - 3,280
M. Cap (USD mn)	604
Shares Outs. (mn)	1,070
Free Float	47%
ADTV (USD mn)	0.1

Price Chart (COP) and Volumes (USD mn)



Valuation

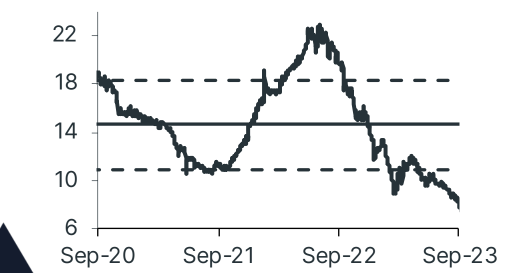
Valuations for Celsia appear to be highly discounted when compared to its history with a 2024 P/E of ~7x and a 2024 EV/EBITDA of ~5x, which seems highly discounted compared to the three-year averages of 14x for P/E and 6x for EV/EBITDA. However, we see more attractive entry points for ISA and GEB at ~5x 2024 P/E. **Our valuation model for Celsia is a SOTP with DCFs for Generation, Distribution, Central America and Caoba as well as a holding discount of 15%.**

Valuation Summary

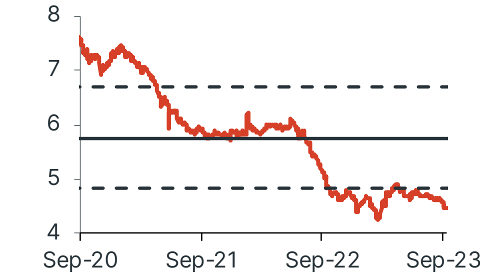
	2022	2023E	2024E	2025E
EV/EBITDA	4.8	4.4	4.9	4.9
P/E	10.8	10.1	6.7	4.7
P/CF	3.9	1.3	2.3	2.2
P/BV	0.6	0.5	0.5	0.5
Div. Yield	11.1%	12.6%	13.8%	14.6%

Sources: Company Reports and Credicorp Capital

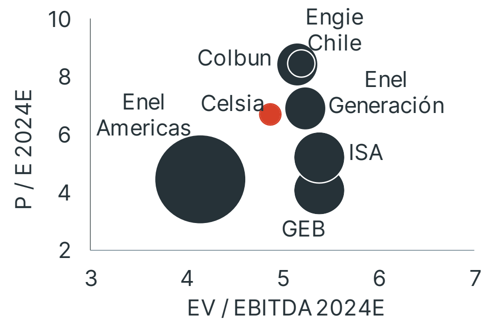
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

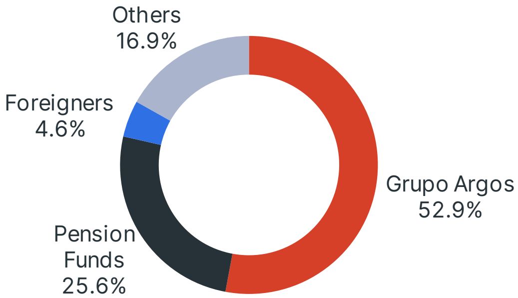


Celsia

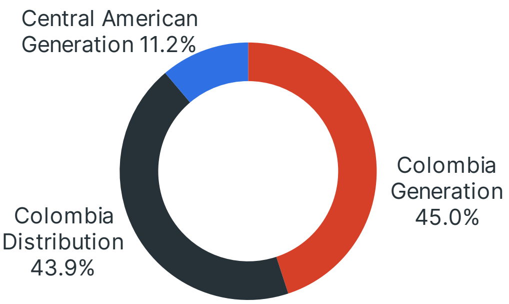
Company Description

Celsia is engaged in power generation, distribution and transmission activities in Colombia and Central America. The company has ~1.7 GW of installed power generation capacity. Celsia serves almost 1.24 million customers in Valle del Cauca, Tolima and Choco (San Jose del Palmar) in its distribution business. Via its Caoba investment platform the company has exposure to the transmission business and via the C2 Energia platform the company is developing solar/wind projects in Colombia.

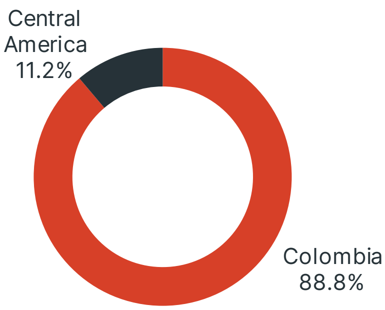
Ownership Structure



Consol. EBITDA breakdown 2022



Consol. EBITDA breakdown by region 2022



Management

CEO: Ricardo Sierra

CFO: Esteban Piedrahíta

IRO: Jesús Cadavid

www.celsia.com

Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	4,111	5,585	6,357	6,447	6,058
EBIT	970	1,352	1,564	1,470	1,438
EBITDA	1,368	1,781	1,993	1,807	1,804
Net Income	335	276	237	359	517
EPS (COP)	313	258	222	336	483
EBIT Margin	23.6%	24.2%	24.6%	22.8%	23.7%
EBITDA Margin	33.3%	31.9%	31.4%	28.0%	29.8%
Net Margin	8.1%	5.0%	3.7%	5.6%	8.5%

Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	253	212	1,137	1,458	957
Total Current Assets	1,335	4,570	5,675	6,017	5,425
Total Assets	12,681	14,934	15,868	16,837	16,903
Current Liabilities	1,672	3,262	3,738	3,920	3,802
Financial Debt	4,474	4,780	5,613	6,476	6,476
Total Liabilities	6,360	8,237	9,255	10,179	10,061
Minority Interest	1,476	1,619	1,600	1,619	1,638
Shareholders Equity	4,846	5,078	5,013	5,039	5,204
Total Liabilities + Equity	12,681	14,934	15,868	16,837	16,903
Net Debt /EBITDA	3.1	2.6	2.2	2.8	3.1
Financial Debt /EBITDA	3.3	2.7	2.8	3.6	3.6
Financial Debt /Equity	0.9	0.9	1.1	1.3	1.2
ROAE	7.1%	5.6%	4.7%	7.1%	10.1%
ROAA	2.7%	2.0%	1.5%	2.2%	3.1%
ROIC	9.8%	12.4%	14.0%	12.9%	12.0%

Cash Flow Statement

COP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**400**	**253**	**212**	**1,137**	**1,458**
Operating Cash Flow	1,559	2,096	2,284	2,140	2,233
CAPEX	(1,660)	(1,230)	(260)	(963)	(1,016)
Changes in Debt	608	305	833	863	-
Dividends	(280)	(331)	(303)	(333)	(352)
Other CFI & CFF Items	(373)	(881)	(1,628)	(1,386)	(1,366)
Changes in Equity	-	-	-	-	-
Final Cash	**253**	**212**	**1,137**	**1,458**	**957**
Change in Cash Position	**-147**	**-41**	**925**	**321**	**-501**

Sources: Company Reports and Credicorp Capital

Celulosa Arauco

Fixed Income Research Chile
P&P

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

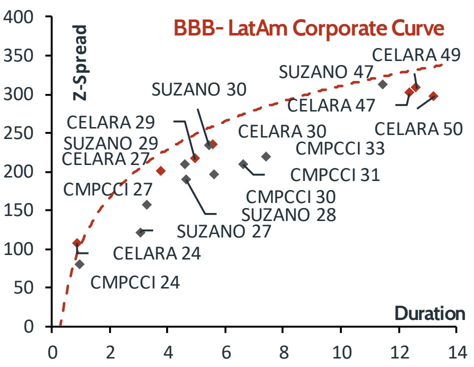
Sandra Loyola - sloyola@credicorpcapital.com

Troubled short term, sustainable long term

Investment Thesis

Pulp prices are to remain low and vulnerable amid new capacity entering the market and a prolonged destocking cycle. CELARA is bearing the impact of the downturn as it is highly exposed to pulp and wood, two segments facing challenging scenarios. The company has been posting lackluster results, and net leverage has spiked to 4.7x. However, some of the price and demand pressures should begin to ease amid integrated producers substituting their own production for imported pulp, and paper producers restocking inventories. All in, the scenario is challenging and the spike in leverage is something to monitor closely, but CELARA should be well positioned to navigate the cycle in the long term. Also, the company will be gaining incremental inflows once MAPA reaches full capacity (1Q24). We are Neutral on the curve but looking at CELARA 24 as a tactic positioning on attractive yield levels.

Celara Bonds and comparables



Credit Data

REG-S Notes
Outstanding Senior Notes
Closest Call Date
Closest Maturity Date

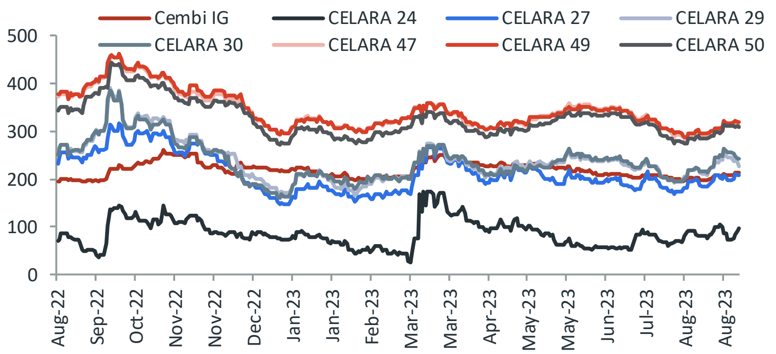
Concerns

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

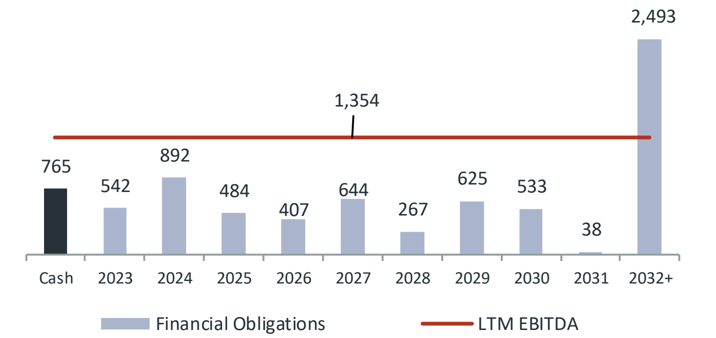
Strengths

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

Z- Spread evolution



Debt Maturity Profile



	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CELARA 24	USD 500mn	4.50%	BBB-	107.2	0.9	98.3	0.4%	6.5%	Neutral
CELARA 27	USD 470mn	3.88%	BBB-	200.2	3.8	91.3	0.4%	6.3%	Neutral
CELARA 29	USD 500mn	4.25%	BBB-	216.4	5.0	90.4	0.4%	6.3%	Neutral
CELARA 30	USD 500mn	4.20%	BBB-	234.2	5.6	88.5	0.4%	6.4%	Neutral
CELARA 47	USD 378mn	5.50%	BBB-	301.4	12.4	83.9	0.5%	6.9%	Neutral
CELARA 49	USD 500mn	5.50%	BBB-	307.7	12.6	83.1	0.6%	6.9%	Neutral
CELARA 50	USD 500mn	5.15%	BBB-	297.1	13.2	80.0	0.5%	6.8%	Neutral

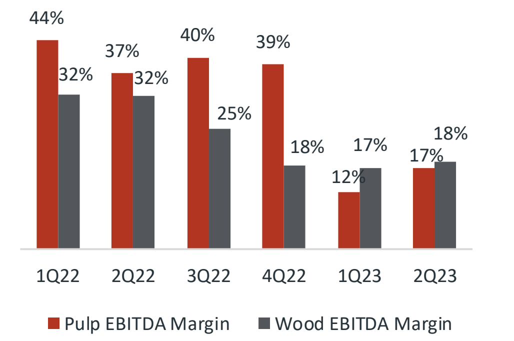
Celulosa Arauco

Company Description

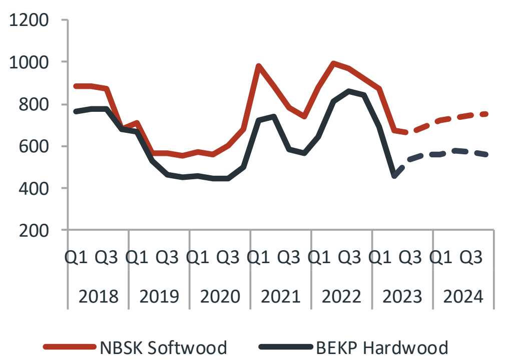
Celulosa Arauco is the second largest pulp producer and panel producer in the world with operations in 11 countries including relevant forestry assets in Chile, Argentina, Brazil and Uruguay. Due to the advantageous location of its assets, the company benefits from low production costs derived from the 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

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	4.2x	4.0x	9.9x	10.8x	4.8x
Gross Debt / EBITDA	5.4x	5.8x	2.7x	2.7x	5.2x
Net Debt / EBITDA	4.0x	4.8x	1.8x	2.3x	4.6x
Net Debt / Equity	0.6x	0.7x	0.6x	0.6x	0.8x
ST Debt / Gross Debt	9%	6%	7%	7%	12%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	5,329	4,733	6,350	7,102	6,322
Gross Profit	1,419	1,288	2,668	2,828	1,917
EBIT	328	343	1,595	1,018	-60
Financial Expenses	274	268	220	200	280
EBITDA	1,147	1,072	2,176	2,166	1,354
Gross Margin	27%	27%	42%	40%	30%
EBITDA Margin	22%	23%	34%	30%	21%
Net Margin	1%	1%	16%	10%	0%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	1,560	1,065	1,011	667	765
Current Liabilities	3,931	3,544	3,919	3,775	4,027
Total Assets	15,860	16,028	16,661	17,180	17,843
Current Liabilities	1,262	1,098	1,430	1,526	1,609
Total Liabilities	8,491	8,613	8,843	8,920	9,699
Equity	7,369	7,416	7,819	8,260	8,143
Net Debt	4,624	5,169	4,867	5,128	6,266
Gross Debt	6,184	6,234	5,878	5,795	7,031
Short Term Debt	530	371	389	412	828
Long Term Debt	5,654	5,863	5,489	5,383	6,203
ROAE	1%	0%	13%	9%	0%
ROAA	0%	0%	6%	4%	0%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	673	1,142	1,940	1,700	904
Investing Activities	-1,318	-1,679	-1,190	-1,470	-1,472
Financing Activities	1,147	56	-769	-527	473

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Cemargos

Rating: Buy
TP: COP 6,200

Equity Research Colombia
Cement & Construction

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

The catalyst we were waiting for

Investment Thesis

We are introducing our 2024E target price of COP 6,200/share for Cementos Argos and reiterating our BUY recommendation. We believe the recent transaction announced with Summit Materials is a catalyst for the name and should lead to a re-rating and an improvement in terms of leverage. We highlight that the name is currently discounted when factoring in the company's geographic presence in the USA.

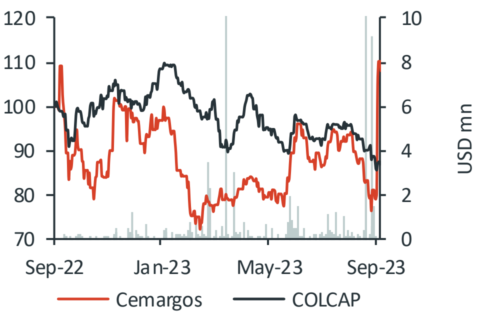
Re-rating. The transaction should be a catalyst for the name which seems attractive when considering that Cemargos is trading at multiples of 5.5x EV/EBITDA 2024E, which is lower that the average of LatAm peers in our sample (~6.0x). We believe the higher trading multiples in the USA is explained by a stronger currency and a steadier market with fewer threats from imports and higher liquidity.

Improvement in leverage. Please note that this transaction should also have a positive impact in terms of leverage, which is our main concern for the company. Indeed, net debt reached COP 6.8 bn in 2Q23, 2.8x EBITDA but with a 2023E coverage ratio (EBITDA/interests) of 2.8x related to high interest expenses, with a cost of debt reaching 14.8% in COP and 6.7% in USD (67% of the debt is in COP and 33% is in USD). The transaction would imply a cash inflow of ~COP 5 tn, which could reduce drastically the company's debt and should help its funding structure. Additionally, we believe the transaction could trigger disbursements in a credit line with more attractive credit conditions and in USD.

Stock Data

Ticker	cemargos cb
Price (COP)	4,105
Target (COP)	6,200
Total Return	59.2%
LTM Range	2,744 - 4,186
M. Cap (USD mn)	1,339
Shares Outs. (mn)	1,170
Free Float	40%
ADTV (USD mn)	0.4

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 13.2% WACC, and we incorporate EV Argos US @9x EBITDA 2024E. Note that we are using a multiple of 9x (rather than the 10x implicit multiple of the transaction) considering that Summit currently trades at levels closer to this level.

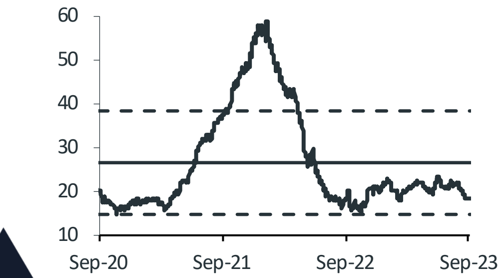
Cemargos had been trading at levels close to 4.8x EV/EBITDA 2024E before the transaction was announced, which represents a discount vs. peers in the USA which trade at an average of 11.0x EV/EBITDA 2024E.

Valuation Summary

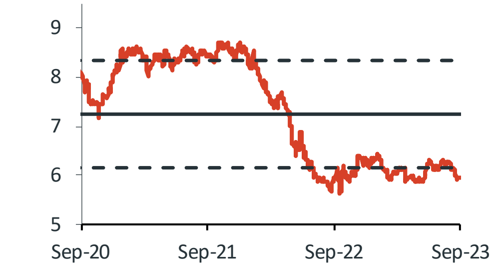
	2022	2023E	2024E	2025E
EV/EBITDA	6.2	5.3	5.5	5.4
P/E	33.4	24.3	23.7	23.0
P/CF	3.3	2.7	3.3	3.3
P/BV	0.4	0.6	0.6	0.6
Div. Yield	8.2%	8.3%	8.2%	8.5%

Sources: Company Reports and Credicorp Capital

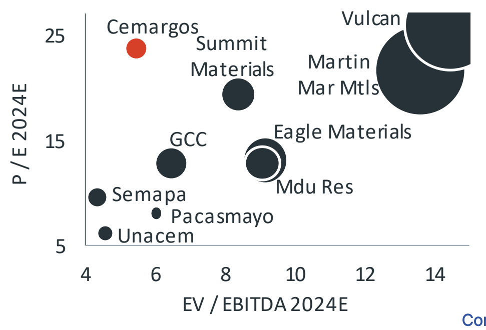
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

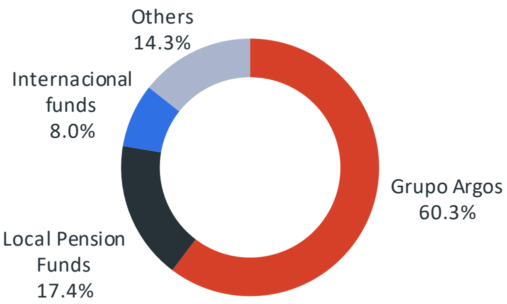


Cemargos

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. This operation is expected to be completed by 1H24. The new platform would be the fourth largest in the US with a cement capacity of 11.6 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*

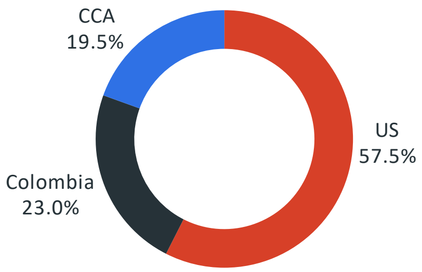


*Common shares

Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Revenues	9,818	11,684	12,338	12,027	12,212
Gross Profit	1,906	2,057	2,565	2,521	2,543
EBITDA	1,897	1,942	2,304	2,212	2,242
Net Income	431	142	233	239	246
EPS (COP)	313	103	169	173	178
Gross Margin	19.4%	17.6%	20.8%	21.0%	20.8%
EBITDA Margin	19.3%	16.6%	18.7%	18.4%	18.4%
Net Margin	4.4%	1.2%	1.9%	2.0%	2.0%

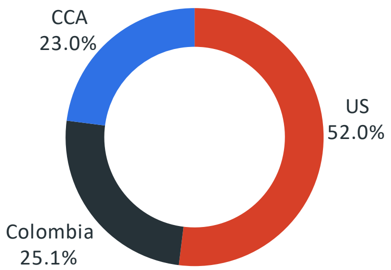
Revenue breakdown by region (2023E)**



Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	483	790	632	683	685
Total Current Assets	2,990	4,643	3,545	3,633	3,698
Total Assets	19,570	23,266	20,207	20,005	19,760
Current Liabilities	3,485	3,923	3,014	2,829	2,613
Financial Debt	7,013	8,207	7,232	7,028	6,775
Total Liabilities	9,365	11,197	10,015	9,830	9,614
Minority Interest	955	1,051	890	980	1,069
Shareholders Equity	9,250	11,018	9,302	9,194	9,076
Total Liabilities + Equity	19,570	23,266	20,207	20,005	19,760
Net Debt /EBITDA	3.4	3.8	2.9	2.9	2.7
Financial Debt /EBITDA	3.7	4.2	3.1	3.2	3.0
Financial Debt /Equity	0.8	0.7	0.8	0.8	0.7
ROAE	5.0%	1.4%	2.3%	2.6%	2.7%
ROAA	2.3%	0.7%	1.1%	1.2%	1.2%
ROIC	8.2%	8.8%	9.2%	9.4%	9.4%

EBITDA breakdown by region (2023E)



**Note that once the transaction of Argos US is closed, the USA segment would be incorporated through the Equity Method.

Cash Flow Statement

COP bn	2021	2022	2023E	2024E	2025E
Initial Cash	**612**	**483**	**790**	**632**	**683**
Operating Cash Flow	1,109	1,024	2,367	1,885	1,910
CAPEX	-389	-577	-855	-673	-703
Changes in Debt	-502	1,194	-975	-204	-252
Dividends	-174	-388	-445	-437	-453
Other CFI & CFF Items	-174	-946	-250	-520	-499
Changes in Equity	0	0	0	0	0
Final Cash	**483**	**790**	**632**	**683**	**685**
Change in Cash Position	**-129**	**307**	**-158**	**51**	**2**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Esteban Calle
CFO: Felipe Aristizábal
IRO: Daniel Zapata
https://ir.argos.co/

CredicorpCapital

Cementos Pacasmayo

Rating: Hold
TP: PEN 4.18 (loc) / USD 5.6 (ADR)

Equity Research Peru
Cement & Construction

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

We maintain our HOLD as favorable company outlook is tempered by near-term risks

Investment Thesis

We are introducing our 2024E target price of PEN 4.18/share for Pacasmayo and reiterating our HOLD recommendation. We are neutral on Pacasmayo because we see risks on the company's top line in the short term, but we continue to like the company's operating outlook due to its addition of installed capacity.

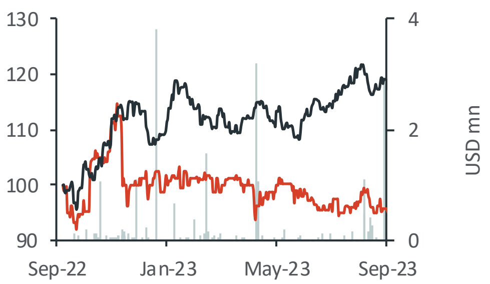
A bumpy road ahead in the short term. We believe Pacasmayo's undiversified exposure to the Peruvian market makes it particularly vulnerable to deceleration and climatic phenomena that affect the northern region. We expect the Coastal El Niño to have a negative impact on volumes, and it could lead to potential economic losses due to inventory, machinery and equipment damage, as well as cost overruns for damage to roads necessary for the distribution. However, once El Niño subsides, the company could be involved in reconstruction initiatives and could also benefit from an increase in the sale of construction supplies related to families spending on self-construction to rebuild their homes after the impact.

We have a positive view on the company's operational performance based on clinker capacity expansion and lean cost structures. We are forecasting levels of ~27% for EBITDA margins in the long term due to the additional clinker capacity and more normalized energy costs. Additionally, the company has reduced its need to import clinker, particularly at the Piura plant, following an optimization process in 1Q22. Furthermore, the company benefits from an extensive distribution network and the proximity of its limestone quarries to its plants, which reduces transport costs. Finally, the company is working on clinker factor reduction initiatives, which we believe supports cost efficiencies.

Stock Data

Ticker	cpacasc1 pe / cpac us
Price (PEN)	3.85 (loc) / 5.2 (ADR)
Target (PEN)	4.18 (loc) / 5.6 (ADR)
Total Return	17.4%
LTM Range	3.68 - 4.59
M. Cap (USD mn)	483
Shares Outs. (mn)	424
Free Float	50%
ADTV (USD mn)	0.1

Price Chart (PEN) and Volumes (USD mn)



Valuation

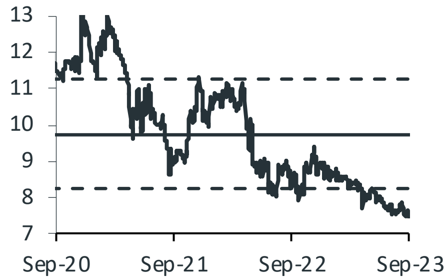
Valuation seems cheap from a historical perspective but seems pricey when compared to peers. We are updating our 10-year DCF valuation model for Pacasmayo. Our main assumptions include a WACC of 10.5% and a cost of debt of 6.4%. Pacasmayo trades at higher multiples than its peers (6.1x EV/EBITDA for 2024E) such as Unacem (4.6x EV/EBITDA for 2024E) and Cementos Argos (5.5x EV/EBITDA for 2024E), which have operations in the USA. However, Pacasmayo is currently trading at 6.1x, compared to an average of 7.7x in the 2015-2022 period, which we believe might continue to attract investors.

Valuation Summary

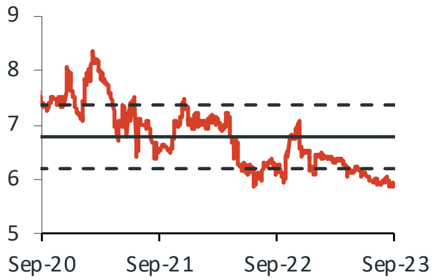
	2022	2023E	2024E	2025E
EV/EBITDA	6.6	6.5	6.1	6.0
P/E	10.3	9.1	8.0	7.8
P/CF	nm	8.2	5.9	5.8
P/BV	1.5	1.4	1.4	1.4
Div. Yield	9.9%	7.9%	8.8%	12.5%

Sources: Company Reports and Credicorp Capital

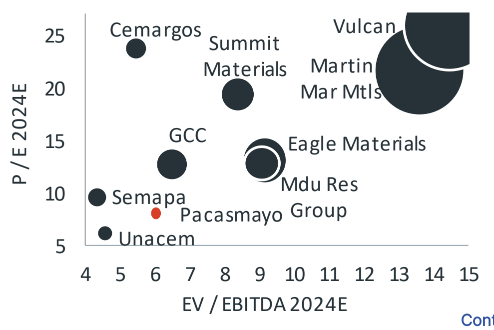
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



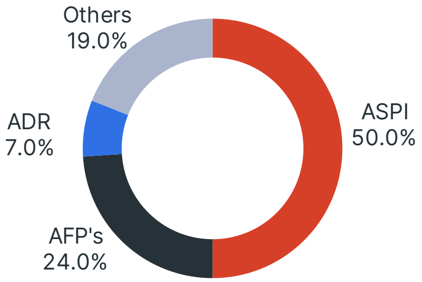
Contents

C. Pacasmayo

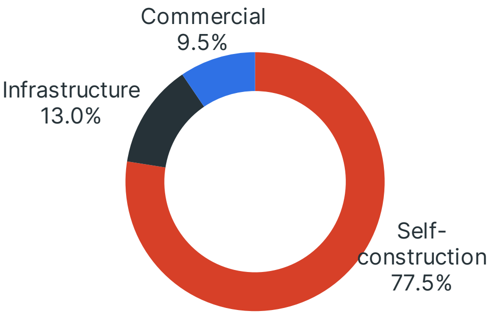
Company Description

Pacasmayo is one of the largest cement producers in Peru and the only one in the northern part of the country. 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. The company carried on a clinker expansion in its Pacasmayo plant that began operations in the 2H23.

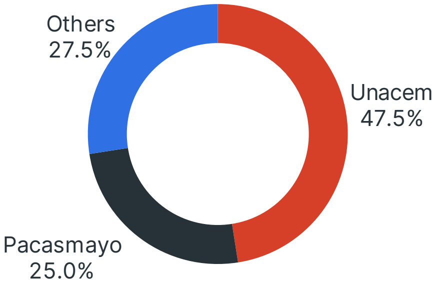
Ownership Structure



Revenue by segment (2023E)



Peruvian cement market share (2023E)



Management

CEO: Humberto Nadal
CFO: Manuel Ferreyros
IR Manager: Claudia Bustamante
www.cementospacasmayo.com.pe

Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	1,938	2,116	1,949	2,047	2,063
Gross Profit	559	652	691	749	760
EBITDA	452	494	509	545	554
Net Income	153	177	197	224	230
EPS (PEN)	0.36	0.4	0.5	0.5	0.5
Gross Margin	28.9%	30.8%	35.5%	36.6%	36.9%
EBITDA Margin	23.3%	23.3%	26.1%	26.6%	26.8%
Net Margin	7.9%	8.4%	10.1%	11.0%	11.2%

Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	273	169	90	96	92
Total Current Assets	1,009	1,188	960	994	993
Total Assets	3,202	3,314	3,213	3,241	3,235
Current Liabilities	722	953	584	554	547
Financial Debt	1,551	1,598	1,548	1,480	1,476
Total Liabilities	2,006	2,119	1,962	1,923	1,912
Minority Interest	0	0	0	0	0
Shareholders Equity	1,196	1,195	1,251	1,317	1,323
Total Liabilities + Equity	3,202	3,314	3,213	3,241	3,235
Net Debt /EBITDA	2.8	2.9	2.9	2.5	2.5
Financial Debt /EBITDA	3.4	3.2	3.0	2.7	2.7
Financial Debt /Equity	1.3	1.3	1.2	1.1	1.1
ROAE	12.0%	14.8%	16.1%	17.5%	17.4%
ROAA	4.9%	5.4%	6.0%	6.9%	7.1%
ROIC	9.0%	9.4%	9.9%	10.7%	10.9%

Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**309**	**273**	**169**	**90**	**96**
Cash Flow From Operation:	201	98	375	361	356
CAPEX	-95	-178	-265	-140	-142
Changes in Financial Debt	276	46	-49	-68	-5
Dividends (Paid) Received	-336	-180	-142	-158	-224
Other CFI & CFF Items	-82	109	2	10	10
Changes in Equity	0	0	0	0	0
Final Cash	**273**	**169**	**90**	**96**	**92**
Change in Cash Position	**-36**	**-105**	**-78**	**6**	**-4**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Cencoshopp

Rating: Buy
TP: CLP 1,800

Equity Research Chile
Real Estate

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Solid operational resiliency and strong investment plan; discount is not justified

Investment Thesis

We are revising our recommendation to Buy and updating our 2024E TP to CLP 1,800, suggesting a ~26% upside from current levels, in addition to an expected 4.6% dividend yield for 2024E. Cencoshopp shares have underperformed within the sector throughout the year, which, in our view, is unjustified considering the company's strong operational performance and its promising GLA growth prospects.

Cencoshopp continues to outperform in operational results, demonstrating a strong resiliency amid a challenging macro context. We expect this relative outperformance to persist going forward due to its favorable tenant mix, with a significant portion dedicated to essential services (~53% of GLA), as these tenants should continue to post better behavior than discretionary retail. Additionally, the company's Tier 1-focused asset composition, with assets like Costanera Center and Alto las Condes contributing ~40% of NOI, should continue to maintain above-average occupancy levels on the back of a solid ability to attract traffic flow. Margins also look promising, with occupancy costs in Chile remaining below pre-pandemic levels, allowing the company to pass on some cost pressures such as inflation and property tax increases to tenants.

Cencoshopp has an ambitious USD 500 mn investment plan for the next five years, with the goal of expanding its GLA by 25%. This expansion is expected to drive a 6.6% CAGR in NOI from 2022 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. Cencoshopp's shares continue to trade at a discount, with a Fwd cap rate of 9.3%, compared to 9% for peers. Therefore, we believe shares are poised for a catch-up.

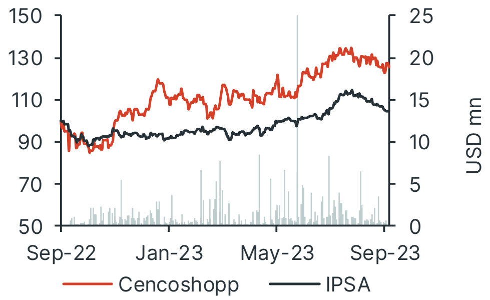
Valuation

Our TP is based on a 50/50 valuation composed of a ten-year DCF model and a multiple valuation, in which we are assuming a 9.4% 12M Fwd cap rate and a 12.5x P/FFO, implying ~6% and ~1% discounts versus historical multiples, respectively. The implicit cap rate of our TP 1,800 valuation is 8.3%, compared to the current 9.5% cap rate. We estimate 2023-2026 CAGRs of 5.1% and 6.9% for EBITDA and FFO, respectively.

Stock Data

Ticker	cencosho ci
Price (CLP)	1,426
Target (CLP)	1,800
Total Return	30.9%
LTM Range	965 - 1,530
M. Cap (USD mn)	2,729
Shares Outs. (mn)	1,706
Free Float	28%
ADTV (USD mn)	1.4

Price Chart (CLP) and Volumes (USD mn)

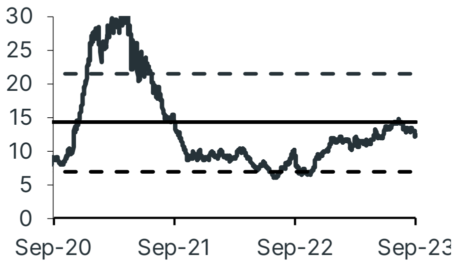


Valuation Summary

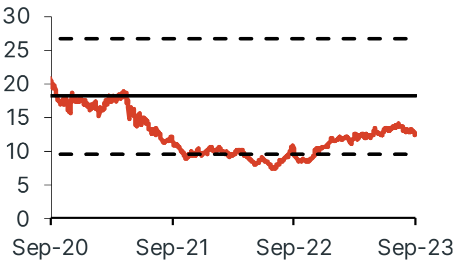
	2022	2023E	2024E	2025E
EV/EBITDA	11.4	10.9	10.4	10.0
P/E	12.6	12.9	11.7	11.3
P/CF	11.4	20.8	20.1	17.0
P/BV	0.9	0.9	0.9	0.8
Div. Yield	6.7%	4.5%	4.6%	5.1%

Sources: Company Reports and Credicorp Capital

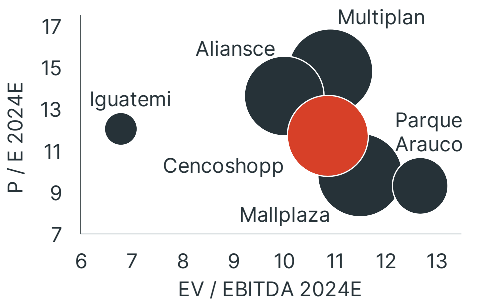
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

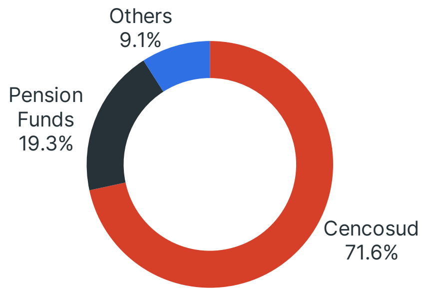


Cencoshopp

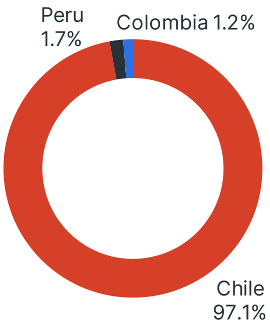
Company Description

Cencosud Shopping 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 1,338,626 sqm. The company is the second mall operator in Chile in terms of GLA and revenues.

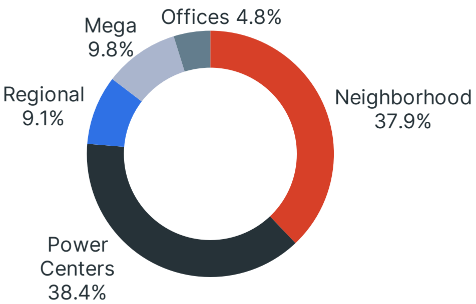
Ownership Structure



Revenue breakdown by country (LTM)



GLA breakdown by format (LTM)



Management

CEO: Rodrigo Larrain
CFO: Andres Neely
IRO: Marisol Fernandez
www.cencosudshoppingcenters.com

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	215,063	286,950	312,187	328,431	339,826
Gross Profit	203,681	275,628	300,782	313,881	325,152
EBITDA	195,781	258,153	281,999	296,354	307,017
Net Income	81,056	181,876	187,971	207,667	215,748
EPS (CLP)	48	107	110	122	126
Gross Margin	94.7%	96.1%	96.3%	95.6%	95.7%
EBITDA Margin	91.0%	90.0%	90.3%	90.2%	90.3%
Net Margin	37.7%	63.4%	60.2%	63.2%	63.5%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	78,353	98,965	180,470	232,055	194,783
Total Current Assets	129,576	148,859	228,582	282,337	246,454
Total Assets	3,973,192	4,059,976	4,197,674	4,375,574	4,448,439
Current Liabilities	47,745	70,365	59,249	63,353	64,126
Financial Debt	659,932	735,761	837,040	916,255	897,500
Total Liabilities	1,305,283	1,375,401	1,456,722	1,539,526	1,521,157
Minority Interest	4,851	4,967	4,976	5,186	5,273
Shareholders Equity	2,663,058	2,679,609	2,735,976	2,830,861	2,922,009
Total Liabilities + Equity	3,973,192	4,059,976	4,197,674	4,375,574	4,448,439
Net Debt /EBITDA	3.0	2.5	2.3	2.3	2.3
Financial Debt /EBITDA	3.4	2.9	3.0	3.1	2.9
Financial Debt /Equity	0.2	0.3	0.3	0.3	0.3
ROAE	3.0%	6.8%	6.9%	7.5%	7.5%
ROAA	2.0%	4.5%	4.6%	4.8%	4.9%
ROIC	5.5%	7.0%	6.4%	6.4%	6.4%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**65,170**	**78,353**	**98,965**	**180,470**	**232,055**
Cash Flow From Operations	34,059	187,190	178,099	209,294	214,961
CAPEX	-14,847	-47,959	-66,351	-107,932	-91,973
Changes in Financial Debt	37,738	75,829	101,278	79,216	-18,755
Dividends (Paid) Received	-123,332	-153,525	-109,125	-112,782	-124,600
Other CFI & CFF Items	79,564	-40,924	-22,396	-16,211	-16,905
Changes in Equity	0	0	0	0	0
Final Cash	**78,353**	**98,965**	**180,470**	**232,055**	**194,783**
Change in Cash Position	**13,183**	**20,612**	**81,506**	**51,584**	**-37,272**

Sources: Company Reports and Credicorp Capital

Cencosud

Rating: Buy
TP: CLP 2,600

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Consistency, resilience and performance

Investment Thesis

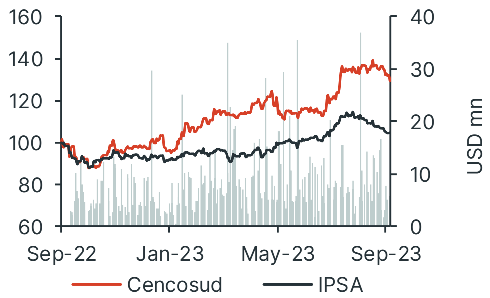
We are maintaining our Buy rating with a YE2024 TP of CLP 2,600. 2021 and 2022 were spectacular years for Cencosud as it posted double-digit growth in sales and achieved a consolidated EBITDA margin of ~12%. This can be attributed not only to a positive macro scenario, especially in Chile, but also to initiatives taken by the company. Its strategy seems to be correct as its focus on store remodeling with a multiformat approach, increasing private label penetration and online sales are enabling it to maintain a double-digit consolidated EBITDA margin and to increase its market share in its biggest markets (Chile, Argentina and Brazil). For the medium term, we are forecasting some additional growth coming from new openings in the US and Brazil. Shares are currently trading at 6.4x NTM EV/EBITDA, implying a discount of more than 25% versus historical figures, making it one of the most discounted supermarkets in the region, which certainly does not align with the story of resilience and growth that the company has shown in recent years. Guidance for this year aims to maintain a consolidated EBITDA margin in the range of 10.5%-11%, which is quite good in relative terms. Based on the above, we continue to see significant upside potential for the stock, especially once the company demonstrates some delivery from its TFM operation in the USA.

Having said this, the complicated macro and political scenario in Argentina may raise some concerns among investors. It is worth noting that from a valuation perspective, Argentina accounts for less than 5% of the EV since the country risk is over 20%. In addition, our estimates are already incorporating an accumulated ARS depreciation of 300% in 2023 and 2024, while SSS have remained above inflation. This could certainly create some noise but is somewhat priced in. On the bright side, consumption in Brazil and the US will improve next year. Colombia is the only market in which we believe the turning point is not clear.

Stock Data

Ticker	cencosud ci
Price (CLP)	1,748
Target (CLP)	2,600
Total Return	56.0%
LTM Range	1,186 - 1,880
M. Cap (USD mn)	5,566
Shares Outs. (mn)	2,838
Free Float	44%
ADTV (USD mn)	7.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

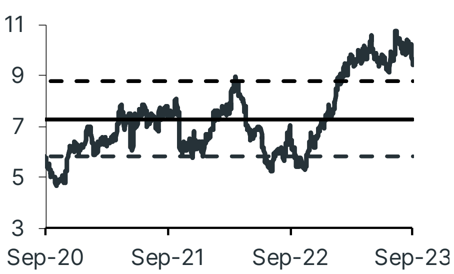
Our TP is based 50/50 on a ten-year DCF model and a SOTP valuation, assuming EV/EBITDA of 8x for Super, 12x for Home and 6x for D. Stores and CLP ~1,500/share for Cencoshopp, while real estate in Argentina is valued at 0.4x P/BV. Our valuation of Argentinean assets is extremely conservative, and yet the potential upside is attractive. The company continues to trade at cheap valuations. We estimate 2023-2026 CAGRs of 4% and 13% for EBITDA and net income, respectively, which will be driven by maintaining the strong operational performance in Chile, Argentina and Peru, while improving margins in Brazil and the USA.

Valuation Summary

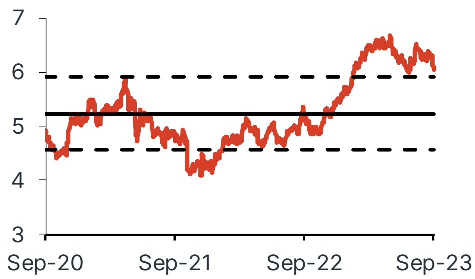
	2022	2023E	2024E	2025E
EV/EBITDA	5.8	6.5	6.6	6.5
P/E	6.5	8.9	9.8	8.8
P/CF	4.3	4.0	6.5	5.0
P/BV	1.1	1.2	1.2	1.3
Div. Yield	9.0%	8.7%	7.2%	8.0%

Sources: Company Reports and Credicorp Capital

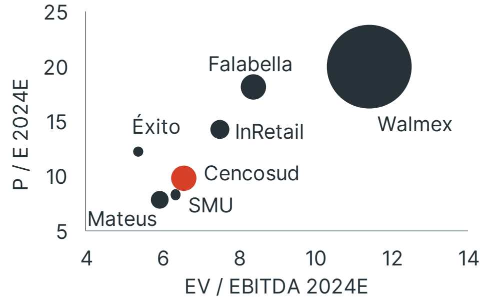
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

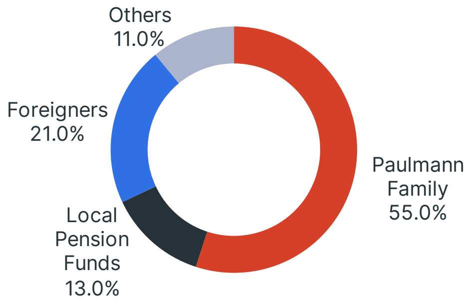


Cencosud

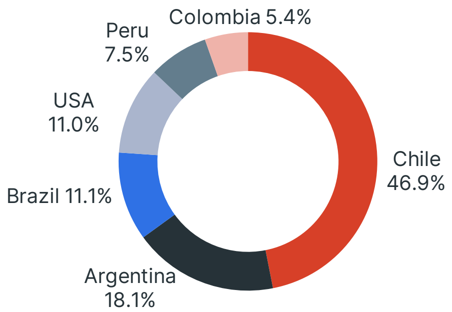
Company Description

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 17.5 bn.

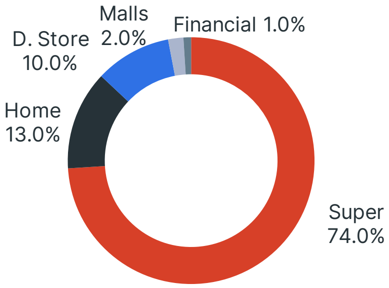
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by business (LTM)



Management

CEO: Matias Videla
CFO: Ines Ostenrieder
IRO: Marisol Fernandez
www.cencosud.cl

Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Revenues	11,357	14,283	14,880	15,064	15,540
Gross Profit	3,318	4,200	4,392	4,360	4,468
EBITDA	1,403	1,633	1,610	1,605	1,610
Net Income	639	619	563	510	571
EPS (CLP)	223	216	197	178	199
Gross Margin	29.2%	29.4%	29.5%	28.9%	28.8%
EBITDA Margin	12.4%	11.4%	10.8%	10.7%	10.4%
Net Margin	5.6%	4.3%	3.8%	3.4%	3.7%

Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	807	374	324	418	403
Total Current Assets	3,360	3,108	2,885	3,034	3,079
Total Assets	11,952	13,340	13,174	13,386	13,449
Current Liabilities	3,162	3,753	3,949	3,976	4,356
Financial Debt	3,614	5,180	4,772	4,845	4,493
Total Liabilities	7,217	9,094	8,794	8,844	8,606
Minority Interest	558	575	604	614	740
Shareholders Equity	4,176	3,671	3,776	3,928	4,103
Total Liabilities + Equity	11,952	13,340	13,174	13,386	13,449
Net Debt /EBITDA	2.0	2.9	2.8	2.8	2.5
Financial Debt /EBITDA	2.6	3.2	3.0	3.0	2.8
Financial Debt /Equity	0.9	1.4	1.3	1.2	1.1
ROAE	15.7%	15.8%	15.1%	13.2%	14.2%
ROAA	5.6%	4.9%	4.2%	3.8%	4.3%
ROIC	12.3%	14.0%	10.7%	8.9%	9.6%

Cash Flow Statement

CLP bn	2021	2022	2023E	2024E	2025E
Initial Cash	**682**	**807**	**374**	**324**	**418**
Cash Flow From Operations	966	656	1,239	872	1,021
CAPEX	-207	-360	-474	-474	-396
Changes in Financial Debt	324	1,566	-408	73	-352
Dividends (Paid) Received	-702	-359	-434	-358	-395
Other CFI & CFF Items	-256	-1,935	27	-20	107
Changes in Equity	0	0	0	0	0
Final Cash	**807**	**374**	**324**	**418**	**403**
Change in Cash Position	**125**	**-433**	**-50**	**93**	**-15**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Cencosud

Fixed Income Research Peru
Retail

Baa3 / NR / BBB
Outlook: p / nr / s

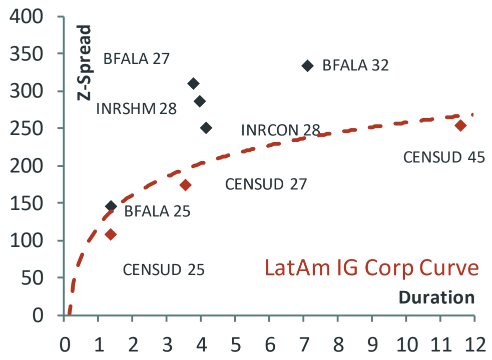
Josefina Valdivia - jvaldivia@credicorpcapital.com

Resilient business and clear strategy

Investment Thesis

Cencosud results continue to prove the resilience of its business and the success of its strategy for its main markets and formats. Although leverage has maintained an upward trend in recent quarters, it remains adequate at ~3.2x, and we believe there is room for some improvement by year-end. From a credit perspective, we believe the main risk is related to potential news of M&A activity that could pressure leverage further, but we believe the company will continue to prioritize profitability. We continue to see Cencosud as a defensive alternative amid a period of increased volatility. Looking at valuations, we do not see much room for spread tightening on CENSUD 27 as it is trading in line with its LTM average to Colbun and CMPC. CENSUD 45 also looks fairly priced as the curve has flattened. CENSUD 25, on the other hand, looks attractive trading at a ~65 bps discount versus CENSUD 27, compared to an 80-bp six-month average discount.

Cencosud Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,849MM
Closest Call Date	12-11-2024
Closest Maturity Date	12-Feb-25

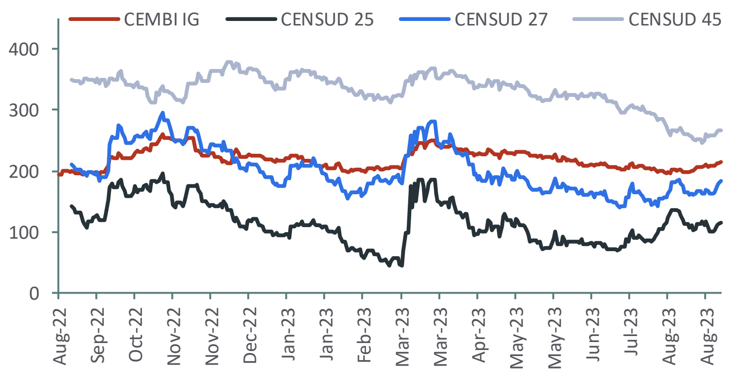
Concerns

- Changes in consumer habits
- Consumption deceleration ahead
- Devaluation of the Argentinean peso is a source of risk

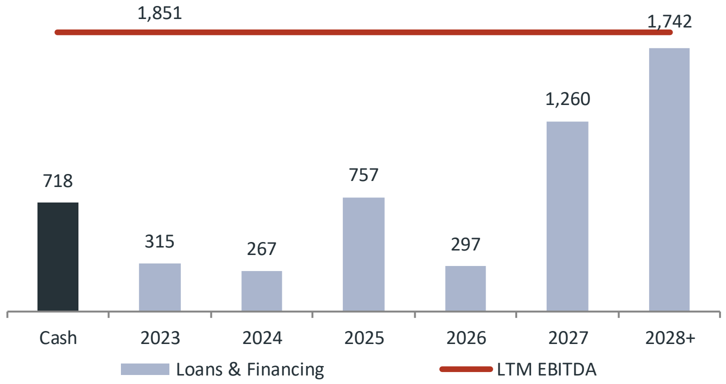
Strengths

- Solid market position
- Strong positioning in defensive businesses (supermarkets)
- Geographic and business diversification
- Strong capital structure

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CENSUD 25	USD 524mn	5.15%	Baa3 / NR / BBB	108	1.4	98.5	0.4%	6.3%	Overweight
CENSUD 27	USD 975mn	4.38%	Baa3 / NR / BBB	173	3.6	94.2	0.4%	6.1%	Neutral
CENSUD 45	USD 350mn	6.63%	Baa3 / NR / BBB	254	11.6	101.6	0.5%	6.5%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Cerro Verde

Rating: Buy
TP: USD 34.1

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Increasing our TP to reflect expectations of higher long-term copper prices and stronger copper production

Investment Thesis

We are updating our rating from Hold to Buy as we have increased our 2024YE TP to USD 34.1 and expect high dividend payments. Our upward revision relies on higher expected production, higher forecasted copper and by-product prices and the inclusion of resources in our projections. However, higher production costs, CAPEX, discount rate and the inclusion of EV/EBITDA valuation partially offset the aforementioned effects.

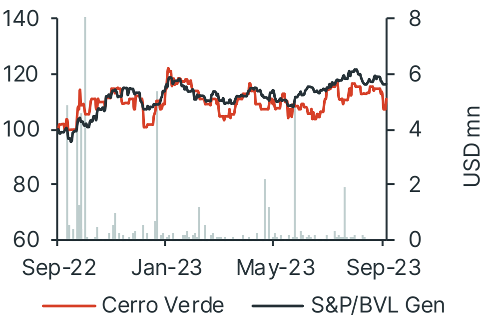
We are increasing our copper production forecast to 477/450/450/456/470 kt for 2023/24/25/26/27 (prev. 423 kt). Our forecast assumes that Cerro Verde will gradually increase mill rates to 420 ktpd by 2026 (prev. 400 ktpd) and mine the average reserve copper grades of 0.35%. The production drop in 2024 is due to the depletion of the crushed leach reserves by 4Q23; however, cathode production should continue at lower levels under the ROM leach process. Also, we include resources in our analysis; thus, activities should last until year 2067 (2050 with reserves). We are increasing our copper price forecast to 8,600-8,700 USD/t (prev. 8,400) for the 2023-2025 period and 8,800 for the long term (prev. 8,000), while we expect molybdenum prices of 42,000 USD/t (prev. 29,000). We are less optimistic about costs as we expect long-term production costs of 11.4 USD/t (prev. 10.2), lower than the 2022 levels on some consumables price reductions.

We expect EBITDA to increase from USD 2.10 bn to USD 2.23 bn in the 2023-2025 period. At this level, with an upward revision of CAPEX to USD ~520 mn (including stripping costs) and assuming the payment of the USD 63 mn of financial debt, we expect dividend payments of USD 0.8/1.0/1.1 bn for 2023/24/25, with USD 0.3 bn left to be paid in 4Q23.

Stock Data

Ticker	cverdec1 pe
Price (USD)	30.0
Target (USD)	34.1
Total Return	23.2%
LTM Range	27.0 - 33.0
M. Cap (USD mn)	10,502
Shares Outs. (mn)	350
Free Float	6%
ADTV (USD mn)	0.3

Price Chart (USD) and Volumes (USD mn)



Valuation

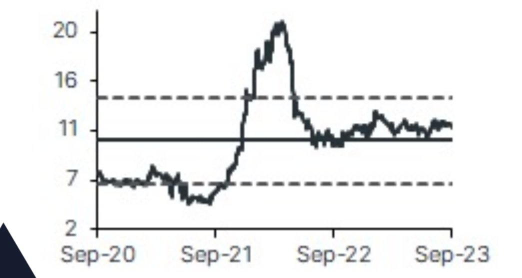
We updated our valuation model to a 60% DCF (TP of USD 35.3) and 40% EV/EBITDA relative valuation model (TP of USD 32.3). For our DCF valuation (WACC 12.3%), we forecast cash flows until the end of 100% of reserves (exclusive of resources), 90% of measured resources, 80% of indicated resources and 70% 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 4.7x EV/EBITDA 2025E multiple, in line with its ~21% 5-year historical discount against its peers.

Valuation Summary

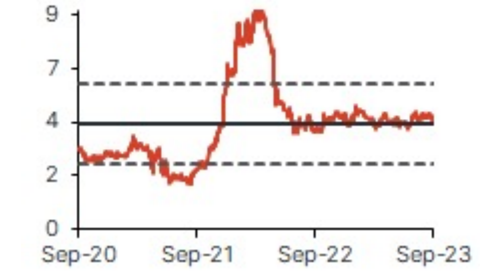
	2022	2023E	2024E	2025E
EV/EBITDA	5.1	4.6	4.5	4.3
P/E	11.3	11.7	11.1	10.5
P/CF	27.8	9.2	10.6	10.1
P/BV	1.6	1.6	1.6	1.6
Div. Yield	3.8%	7.6%	9.5%	10.5%

Sources: Company Reports and Credicorp Capital

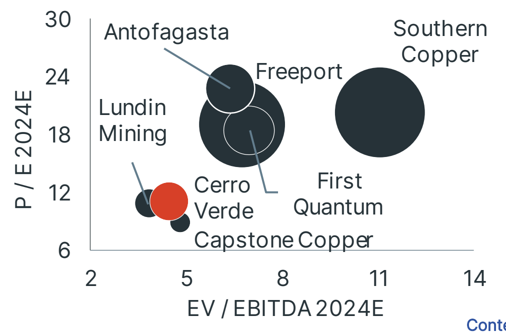
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

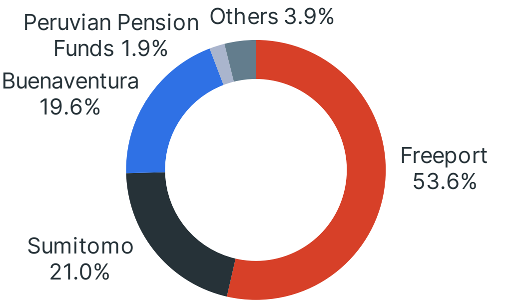


Cerro Verde

Company Description

Cerro Verde is among the ten largest copper mines in the world and ranks first in Peru on an expected copper production of 477 kt for 2023. It is owned and operated by Freeport-McMoRan (53.56% stake), with minority participation from Sumitomo and Buenaventura. The company's activities involve the extraction, production, and sale of copper concentrates, copper cathodes, and molybdenum concentrates. It is 30 km from Arequipa, the second-largest city in Peru.

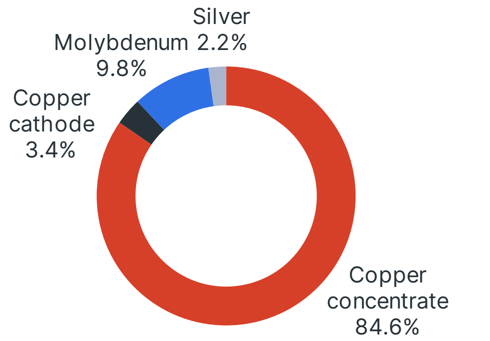
Ownership Structure (2022YE)



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	4,199	3,975	4,344	4,186	4,211
Gross Profit	2,044	1,608	1,794	1,753	1,850
EBITDA	2,411	1,931	2,109	2,140	2,232
Net Income	1,191	925	896	949	1,004
EPS (USD)	3.40	2.64	2.56	2.71	2.87
Gross Margin	48.7%	40.4%	41.3%	41.9%	43.9%
EBITDA Margin	57.4%	48.6%	48.6%	51.1%	53.0%
Net Margin	28.4%	23.3%	20.6%	22.7%	23.8%

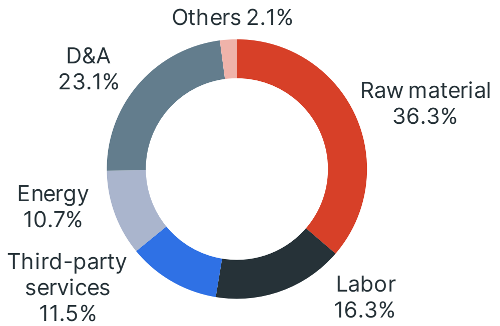
Revenue breakdown by metal (2024E)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	938	554	803	808	763
Total Current Assets	2,157	1,947	2,104	2,049	1,993
Total Assets	8,125	7,994	8,138	8,040	7,912
Current Liabilities	1,252	564	669	621	589
Financial Debt	395	63	0	0	0
Total Liabilities	1,998	1,342	1,391	1,343	1,311
Minority Interest	0	0	0	0	0
Shareholders Equity	6,127	6,651	6,747	6,696	6,601
Total Liabilities + Equity	8,125	7,994	8,138	8,040	7,912
Net Debt /EBITDA	-0.2	-0.3	-0.4	-0.4	-0.3
Financial Debt /EBITDA	0.2	0.0	0.0	0.0	0.0
Financial Debt /Equity	0.1	0.0	0.0	0.0	0.0
ROAE	20.3%	14.5%	13.4%	14.1%	15.1%
ROAA	15.0%	11.5%	11.1%	11.7%	12.6%
ROIC	21.1%	15.7%	15.2%	16.0%	17.1%

COGS breakdown (2024E)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**534**	**938**	**554**	**803**	**808**
Cash Flow From Operations	1,693	867	1,670	1,529	1,546
CAPEX	-370	-511	-558	-524	-491
Changes in Financial Debt	-208	-332	-63	0	0
Dividends (Paid) Received	-700	-400	-800	-1,000	-1,100
Other CFI & CFF Items	-11	-9	0	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**938**	**554**	**803**	**808**	**763**
Change in Cash Position	**404**	**-384**	**249**	**5**	**-45**

Sources: Company Reports and Credicorp Capital

Management

CEO: Derek J. Cooke

CFO: Rohn M. Householder

CCAO: Julia Torreblanca

www.cerroverde.pe

CredicorpCapital

CMPC

Rating: Buy
TP: CLP 1,900

Equity Research Chile
Pulp & Paper

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

Recent pullback in the stock price opens a window of opportunity amid signals of stabilization in pulp prices and a more profitable tissue business.

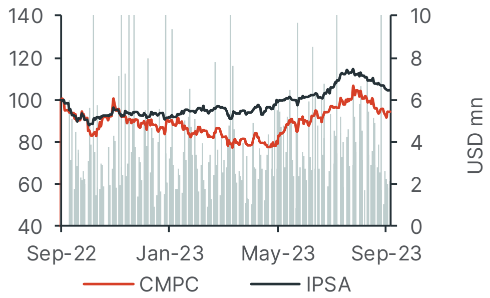
Investment Thesis

We are upgrading our recommendation to Buy from Hold and introducing a 2024YE TP of CLP 1,900/share. In our view, the pullback observed in CMPC's stock price since early August has opened a window of opportunity to buy the name. Our new stance is based on several factors, among which the following stand out. i) The worst for pulp prices may be behind us. After reaching very low levels in China in last May, HW prices rose over USD 50 to ~USD 530/t until August and another hike of USD20/t would have been implemented successfully this month as Chinese imports remain strong (high cost integrated and semi-integrated producers are procuring more of their pulp needs from the market rather than producing it themselves). While do not expect further gains in the coming months due to a still weak end-consumer demand across geographies, pulp prices could post a more sustainable recovery starting from late 2024 due to a tighter S/D balance leading into the year 2025 as result of the absence of projects in construction stage with start-up scheduled beyond next year. Initiatives sponsored by new entrants have failed to secure financing. CMPC's EBITDA is very sensitive to pulp prices (+/-2.5%-3.0% for every USD 10/t change). ii) The company has significant exposure to Brazil (41% of the non-current assets). This country seems to be the only geography that provides large enough growth opportunities for companies seeking to access forest base and thereby develop pulp production projects at competitive costs. iii) The results reported by Softys in 2Q23 were promising with record high EBITDA due to its larger scale in Brazil and Mexico as well as lower input costs. iv) The company is facing this period of pulp prices below normalized levels with a strong balance sheet and lower capex needs after having completed several inorganic growth initiatives and with the Guaiba expansion in the final stages of construction, all of which should translate into higher FCF yields.

Stock Data

Ticker	cmpc ci
Price (CLP)	1,539
Target (CLP)	1,900
Total Return	26.4%
LTM Range	1,260 - 1,739
M. Cap (USD mn)	4,317
Shares Outs. (mn)	2,500
Free Float	44%
ADTV (USD mn)	3.8

Price Chart (CLP) and Volumes (USD mn)



Valuation

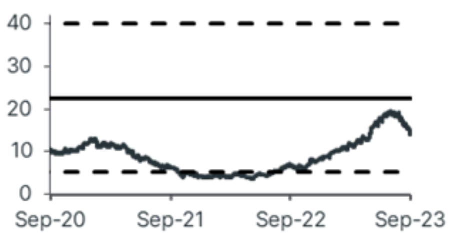
Looking at LT pulp prices, the company trades at an EV/EBITDA of ~6x, which looks attractive based on the increased contribution of the tissue business after having completed inorganic growth initiatives in Brazil and Mexico. While we have a short-term preference for COPEC over CMPC, we favor the latter on a long-term horizon not only due to its relevant footprint in Brazil but also because the company is facing this period of low pulp prices with a stronger balance sheet and lower capex needs. The caveat here is that Chilean names are not particularly discounted as this is a phenomenon also observed for its Brazilian peers.

Valuation Summary

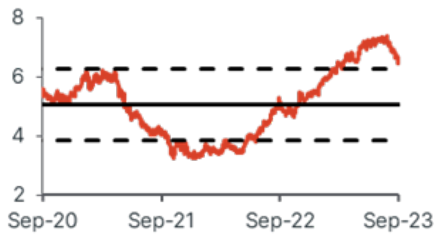
	2022	2023E	2024E	2025E
EV/EBITDA	3.9	6.1	6.1	5.5
P/E	4.2	9.7	12.3	9.0
P/CF	5.7	7.9	6.5	6.7
P/BV	0.5	0.5	0.5	0.5
Div. Yield	11.6%	8.4%	2.9%	3.0%

Sources: Company Reports and Credicorp Capital

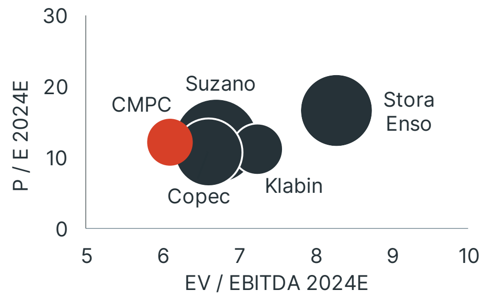
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



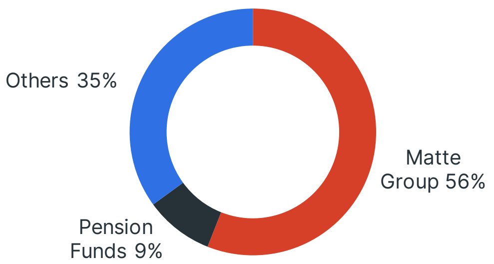
Contents

CMPC

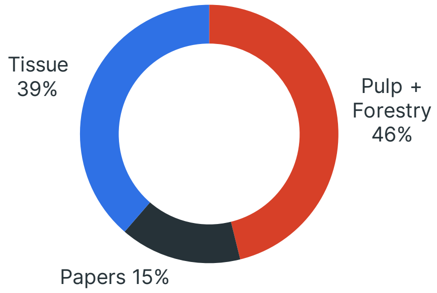
Company Description

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.

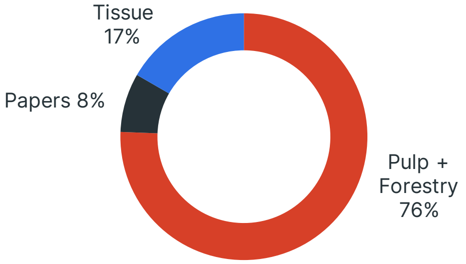
Ownership Structure



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	2021	2022	2023E	2024E	2025E
Revenues	6,323	7,821	8,019	8,020	8,470
Gross Profit	1,695	2,279	1,798	1,745	1,951
EBITDA	1,695	2,113	1,416	1,409	1,562
Net Income	539	1,005	445	349	477
EPS (CLP)	184	342	159	125	170
Gross Margin	26.8%	29.1%	22.4%	21.8%	23.0%
EBITDA Margin	26.8%	27.0%	17.7%	17.6%	18.4%
Net Margin	8.5%	12.9%	5.6%	4.4%	5.6%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,180	855	748	951	1,176
Total Current Assets	4,234	4,683	4,642	4,814	5,205
Total Assets	15,226	16,572	17,146	17,397	17,881
Current Liabilities	2,053	2,399	1,714	1,683	1,738
Financial Debt	4,376	4,849	5,415	5,415	5,415
Total Liabilities	7,677	8,661	8,864	8,892	9,028
Minority Interest	3	2	0	0	0
Shareholders Equity	7,546	7,909	8,282	8,505	8,853
Total Liabilities + Equity	15,226	16,572	17,146	17,397	17,881
Net Debt /EBITDA	1.9	1.9	3.3	3.2	2.7
Financial Debt /EBITDA	2.6	2.3	3.8	3.8	3.5
Financial Debt /Equity	0.6	0.6	0.7	0.6	0.6
ROAE	7.0%	13.0%	5.5%	4.2%	5.5%
ROAA	3.6%	6.3%	2.6%	2.0%	2.7%
ROIC	5.5%	9.1%	3.9%	3.4%	4.4%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	897	1,180	855	748	951
Cash Flow From Operations	1,231	388	68	879	914
CAPEX	-424	-543	-667	-550	-560
Changes in Financial Debt	332	473	566	0	0
Dividends (Paid) Received	-492	-483	-363	-126	-129
Other CFI & CFF Items	-364	-161	289	0	0
Changes in Equity	0	0	0	0	0
Final Cash	1,180	855	748	951	1,176
Change in Cash Position	283	-325	-107	203	225

Sources: Company Reports and Credicorp Capital

CredicorpCapital

CMPC

Fixed Income Research Chile
P&P

Baa3 / BBB / BBB

Sandra Loyola - sloyola@credicorpcapital.com

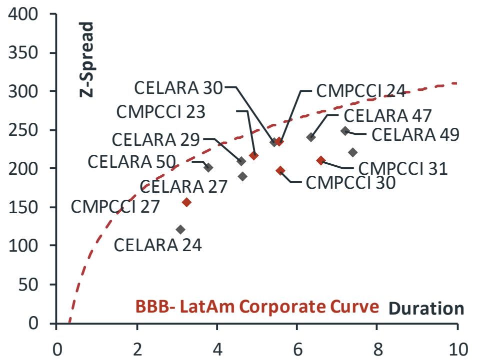
Outlook: s / s / s

Diversification is key; a healthy balance sheet is reassurance

Investment Thesis

Pulp prices are to remain low and vulnerable amid new capacity entering the market and a prolonged destocking cycle. However, we might see some stabilization and a slight recovery in the upcoming months amid the beginning of a restocking movement from paper producers in China and additional demand coming from integrated producers curtailing their own production and turning to the market. CMPC has not been immune to these trends, the company has been posting sluggish results on account of lower pulp prices and a weak demand recovery. Despite this, credit metrics remain at good levels (2.3x), and CMPC's business diversification is proving to deliver more resilient results than its Chilean peers. Despite the challenging dynamics, we believe the company will be able to sustain leverage at comfortable levels. We are maintaining a Neutral stance on the curve on valuation grounds

CMPC Bonds and comparables



Credit Data

REG-S Notes

Outstanding Senior Notes

Closest Call Date

Closest Maturity Date

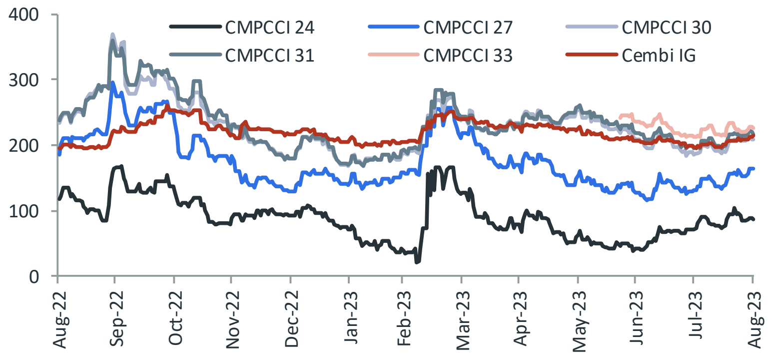
Concerns

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

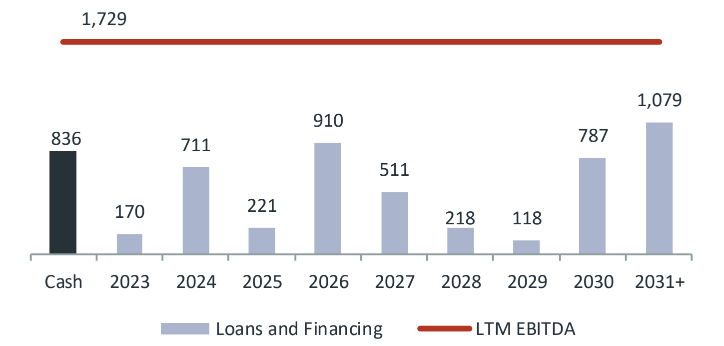
Strengths

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

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
CMPCCI 24	USD 500mn	4.75%	BBB-	79.3	1.0	98.6	0.4%	6.2%	Neutral
CMPCCI 27	USD 500mn	4.38%	BBB-	156.1	3.3	95.0	0.4%	5.9%	Neutral
CMPCCI 30	USD 500mn	3.85%	BBB-	196.0	5.6	88.6	0.4%	6.0%	Neutral
CMPCCI 31	USD 500mn	3.00%	BBB-	209.7	6.6	81.3	0.3%	6.1%	Neutral
CMPCCI 33	USD 500mn	6.13%	BBB-	219.7	7.4	99.5	0.5%	6.2%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

COFIDE

Fixed Income Research Peru
Banks

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

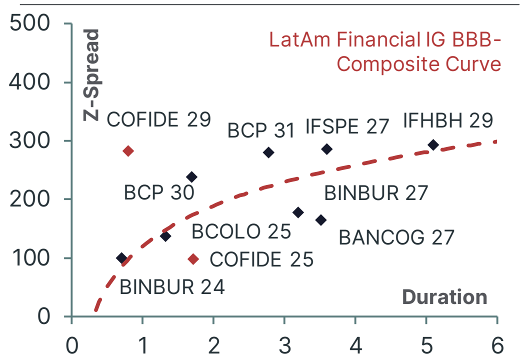
Cynthia Huaccha - chuaccha@credicorpcapital.com

Volatile metrics supported by the government linkage

Investment Thesis

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 the business model, the NPL ratio is high, which is counterbalanced by high coverage and high solvency. Given its nature as a development bank, it has low profitability levels. However, given its crucial role for the state, it can count on the state's support, which benefits it in funding access. This is why the funding concentration is mainly based on issuance. Going forward, we expect the entity to continue to have government support, which is a relevant factor for the issuer's rating.

Banco de Bogota Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 667MM
Closest Call Date	15-Jul-24
Closest Maturity Date	15-Jul-25

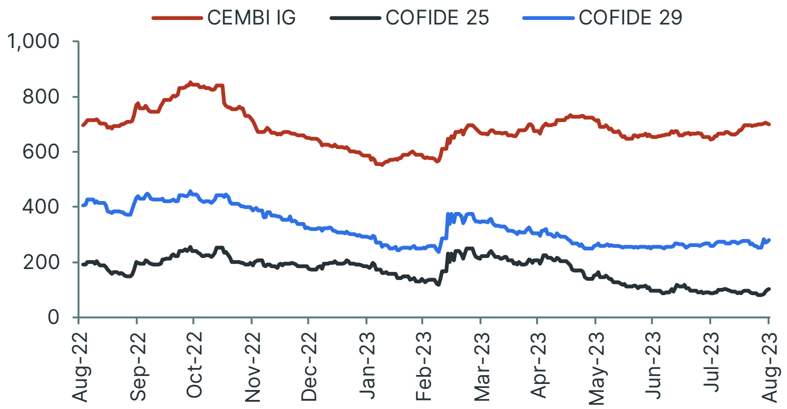
Concerns

- Credit concentration by customer and sector
- Volatile credit metrics
- Elevated level of NPL ratio
- Direct linkage to the Peruvian sovereign

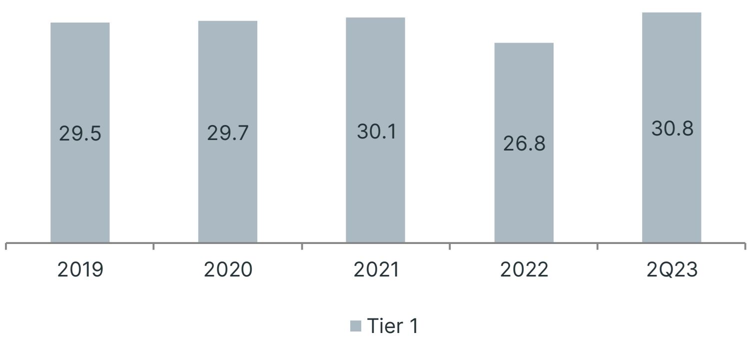
Strengths

- High likelihood of government support
- Access to long-term funding
- High capitalization and coverage

Z- Spread evolution



Solvency



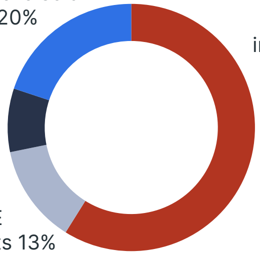
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
COFIDE 25	USD 412mn	4.75%	NR / BBB- / BBB	97	1.7	97.6	0.4%	6.1%	Neutral
COFIDE 29	USD 255mn	5.25%	NR / BB+ / BB+	282	0.8	97.5	0.4%	8.4%	Underweight

COFIDE

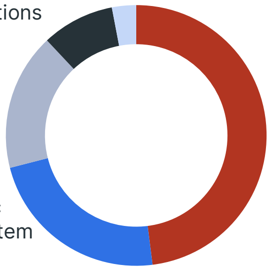
Company Description

Corporación Financiera de Desarrollo is a Peruvian state-owned financial institution (through Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado). It operates as a development bank and offers financing and technical assistance to micro-, small- and medium-sized companies.

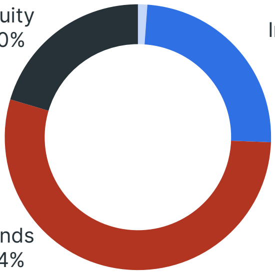
Loan Portfolio



Funding Structure



Capital Structure



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
NPL / Total Loans	7.8%	9.7%	6.6%	5.6%	7.0%
Allowances / NPL	229%	168%	349%	361%	302%
NIM	0.0x	0.0x	0.0x	0.0x	0.0x
Efficiency	61.0%	52.2%	51.3%	44.9%	46.6%
Tier I	29.5%	29.7%	30.1%	26.8%	30.8%
BIS ratio	29.5%	29.7%	30.1%	26.8%	30.8%
Assets / Equity	5.1x	6.0x	5.6x	5.6x	5.1x

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Interest Income	119	120	114	128	147
Interest Expenses (-)	-108	-85	-108	-118	-129
Net Interest Margin	11	35	6	11	18
Provision Loan Losses (-)	-24	-33	-98	-4	-20
Net Fee Income	27	51	159	35	51
Operating Expenses (-)	-18	-17	-19	-19	-20
Net Income	7	6	11	9	14
Net Interest Margin (%)	9.2%	29.1%	5.2%	8.5%	12.1%
Net Income Margin (%)	66.4%	16.1%	192.1%	84.7%	78.5%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	407	551	684	273	277
Investments	1,310	1,322	1,171	1,139	1,121
Gross Loans	1,153	1,532	1,355	1,581	1,383
Allowances (-)	-248	-294	-406	-401	-374
Total Assets	2,881	3,431	3,452	3,266	3,030
Deposits	4	10	7	64	33
Interbank Loans	324	2,524	2,537	834	707
Bonds	1,724	1,658	1,867	1,623	1,560
Equity	564	573	615	583	590
ROAE	1.3%	1.0%	1.8%	1.6%	2.4%
ROAA	0.3%	0.2%	0.3%	0.3%	0.5%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Colbún

Equity Research Chile
Utilities

Rating: Hold
TP: CLP 145

Andrew McCarthy - amccarthy@credicorpcapital.com

Attractive dividend and offering resilience on conservative commercial portfolio

Investment Thesis

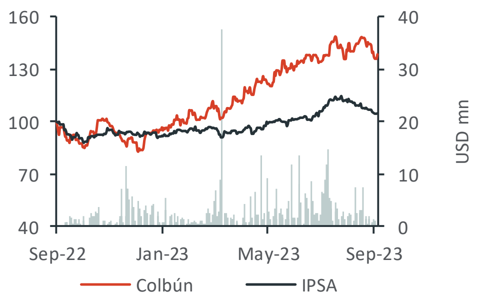
We are updating our recomendation to Hold, and introducing a new YE2024 TP of CLP 145. Like it has been for the rest of the Chilean generation companies, 2023 has been a favorable year for Colbun thanks to a positive hydrological outlook on the presence of El Niño conditions (which according to meteorologistis should -with a greater than 95% probability- persist through the northern hemisphere's Winter), greater rainfall and full reservoirs. This has been complemented by positive indexations in PPAs and lower international fuel prices. In light of Jul/Aug-23 hydro production data and the latest ice water forecast from Chile's system coordinator, we now project 2023E hydroelectric output by the company of 6.3 TWh, well ahead of Colbún's latest relatively conservative indication of 5.4 TWh. This should drive a +13% y/y growth in the EBITDA reported by the Chilean business. Going forward -and subject to new PPA wins- we anticipate the company will announce further investments in renewables plants beyond the already under construction 816 MW Horizonte wind farm.

More resilient than the rest. Our base case is thus for very strong 2H23 results, supported by the hydrological backdrop in Chile. We think this is mainly priced in by the market, hence our Hold rating. If we are wrong, we think the sector as a whole could be vulnerable. The most resilient performer in this context should be Colbún. Even though it is dependent on hydro output to meet high expectations in the coming quarters, it is long the spot market (~+1 TWh and ~+3 TWh in 2023E and 2024E, respectively) given a conservative commercial contracting policy. Finally, we highlight that we see a 12m fwd. dividend yield of ~13% (assuming a distribution of 75% of 2023E net income), which compares very favorably with the rest of the sector and the market overall.

Stock Data

Ticker	colbun ci
Price (CLP)	127
Target (CLP)	145
Total Return	25,0%
LTM Range	76 - 137
M. Cap (USD mn)	2.506
Shares Outs. (mn)	17.536
Free Float	40%
ADTV (USD mn)	2,6

Price Chart (CLP) and Volumes (USD mn)



Valuation

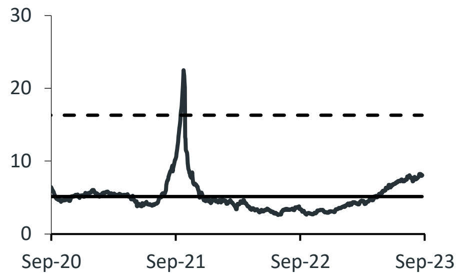
Our sum-of-the-parts, multiples-based target price is CLP 145/sh. We have rolled forward the model and we now expect 23E and 24E reported EBITDA of USD 828 mn (+35% vs prior) and USD 709 mn (+7%), respectively. Our long-term energy price assumption is USD 60/MWh (vs previous price of USD 45/MWh). The implied blended target EV/25E reported EBITDA multiple is 6.0x.

Valuation Summary

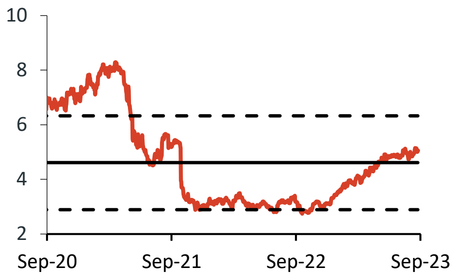
	2022	2023E	2024E	2025E
EV/EBITDA	3,8	4,4	5,2	4,6
P/E	6,1	5,2	8,4	7,7
P/CF	4,7	36,0	167,3	30,7
P/BV	0,6	0,8	0,8	0,8
Div. Yield	8,7%	12,7%	11,2%	9,7%

Sources: Company Reports and Credicorp Capital

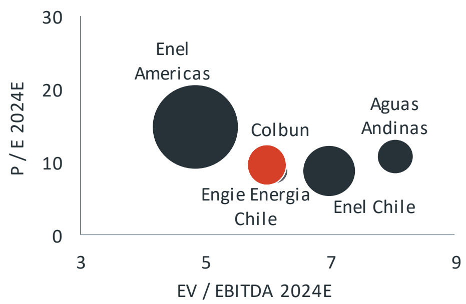
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

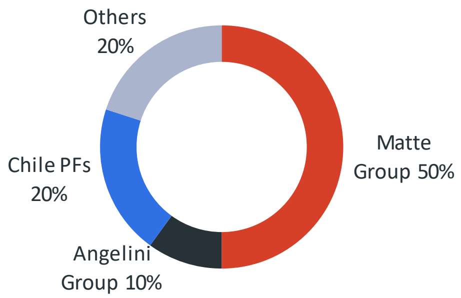


Colbún

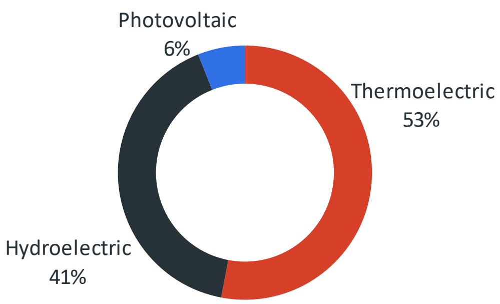
Company Description

Colbun is a power generation company. In Chile, it has an installed capacity of ~3.5 GW via 26 power plants, a ~16% market share in generation and it is currently constructing the 816 MW Horizonte wind farm. In Peru, the company owns and operates ~0.6 GW Fenix Peru, one of the most efficient combined-cycle power plants in the country.

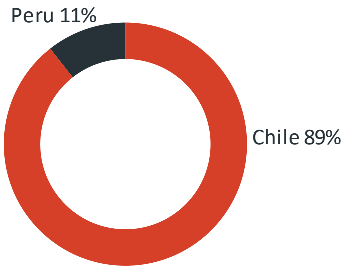
Ownership Structure



Installed Capacity



EBITDA by Country LTM



Management

CEO: José Ignacio Escobar
CFO: Miguel Alarcón
IRO: Isidora Zaldívar
www.colbun.cl

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	1.440	1.974	2.077	1.959	2.099
EBITDA	520	763	828	709	804
EBIT	301	544	626	508	586
Net Income	545	296	477	297	326
EPS (CLP)	26	14	24	15	17
EBITDA Margin	36,1%	38,7%	39,9%	36,2%	38,3%
EBIT Margin	20,9%	27,6%	30,1%	25,9%	27,9%
Net Margin	37,9%	15,0%	23,0%	15,2%	15,5%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1.324	1.136	967	598	303
Fixed Assets	4.490	4.582	4.980	5.372	5.755
Total Assets	6.603	6.606	6.772	6.795	6.884
Other Liabilities	1.411	1.496	1.496	1.496	1.496
Financial Debt	2.350	2.157	2.157	2.157	2.157
Total Liabilities	3.761	3.653	3.653	3.653	3.653
Minority Interest	121	135	142	149	155
Shareholders Equity	2.721	2.818	2.977	2.993	3.075
Total Liabilities + Equity	6.603	6.606	6.772	6.795	6.884
Net Debt /EBITDA	2,0	1,3	1,4	2,2	2,3
Financial Debt /EBITDA	4,5	2,8	2,6	3,0	2,7
Financial Debt /Equity	0,9	0,8	0,7	0,7	0,7
ROAE	17,6%	10,7%	16,5%	10,0%	10,7%
ROAA	8,2%	4,5%	7,1%	4,4%	4,8%
ROIC	4,8%	10,4%	11,4%	8,5%	8,8%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	969	1.324	1.136	967	598
Cash Flow From Operation:	207	586	704	582	605
CAPEX	-254	-274	-599	-593	-601
Changes in Financial Debt	553	-192	0	0	0
Dividends (Paid) Received	-1.274	-156	-318	-281	-244
Other CFI & CFF Items	1.123	-151	43	-77	-55
Changes in Equity	0	0	0	0	0
Final Cash	1.324	1.136	967	598	303
Change in Cash Position	355	-188	-169	-369	-295

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Concha y Toro

Rating: Hold
TP: CLP 1,270

Equity Research Chile
Food & Beverage

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

Paving the way to face challenging consumer trends post-pandemic. Recovering business scale may take longer than previously anticipated.

Investment Thesis

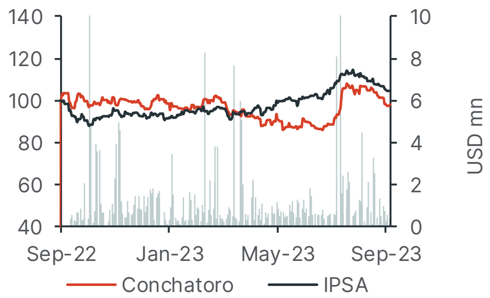
We are downgrading our recommendation for Concha y Toro from Buy to Hold and introducing a new 2024YE TP of CLP 1,270. The challenges that the company has encountered post-pandemic have prompted it to streamline its operational structure with the aim of remaining competitive and adjusting its commercial strategy to be closer to key markets. While most of the challenges are attributable to non-recurrent factors such as logistical difficulties and a less favorable global economic environment (high inflation), we also identify a substantial shift in consumer behavior related to preferences in alcoholic beverage consumption, which appears to be a lasting trend.

Newer generations consume wine less while favoring premium products. Concha y Toro seems well positioned as its premium products represent ~50% of its total portfolio. However, this transition presents a major challenge for wine producers as it forces them to reformulate their product portfolio around offerings centered on unique flavors and innovative formats supported by more sustainable production. It is worth noting that the global wine industry is estimated to exhibit modest growth, with a CAGR of 1% for the 2022-2027 period. Therefore, capturing this emerging market niche is crucial for the company's long-term growth prospects. Industry-level challenges are significant, and the transformation in terms of the product mix may be a gradual process. Success will depend, in part, on being closer to customers in key markets. Recently, we have observed a slower-than-anticipated recovery in Chilean wine exports as well as sales in the US market, making challenging the goal of achieving flat sales volume in 2023. The company is paving the way for these challenging times by reducing its costs structure and implementing logistical actions to respond faster to consumer needs.

Stock Data

Ticker	concha ci
Price (CLP)	1,043
Target (CLP)	1,270
Total Return	24.6%
LTM Range	914 - 1,149
M. Cap (USD mn)	874
Shares Outs. (mn)	747
Free Float	62%
ADTV (USD mn)	1.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

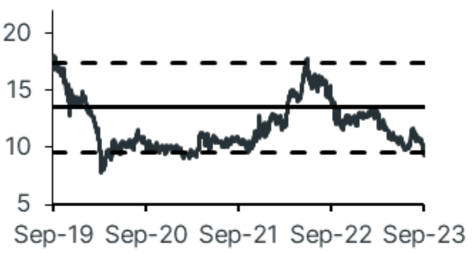
After the rally observed in July triggered by the IPSA's strong performance and expectations of a swift recovery in sales volume starting in 3Q23 and considering the downward revision in earnings estimates, Concha y Toro's shares now trade at valuations whose discount versus its own history is not particularly appealing compared to other stocks in the local equity market. We also observe that several global peers with a more diversified portfolio of alcoholic beverages are trading at discounts ranging from high single digits to double digits compared their respective history.

Valuation Summary

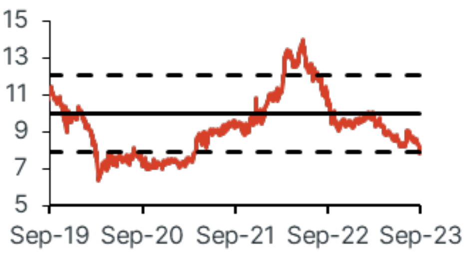
	2022	2023E	2024E	2025E
EV/EBITDA	9.0	10.7	7.9	7.5
P/E	9.2	13.8	9.6	9.0
P/CF	-26.4	16.3	7.1	10.5
P/BV	1.1	1.0	0.9	0.9
Div. Yield	2.7%	4.7%	2.9%	4.2%

Sources: Company Reports and Credicorp Capital

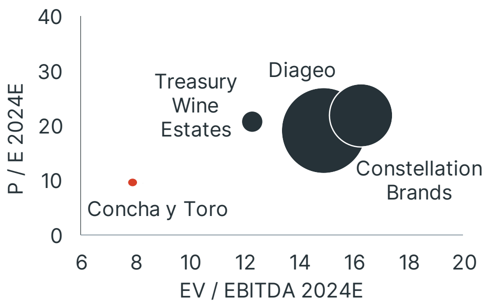
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

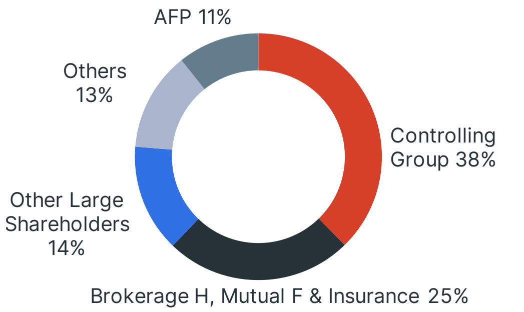


Conchatoro

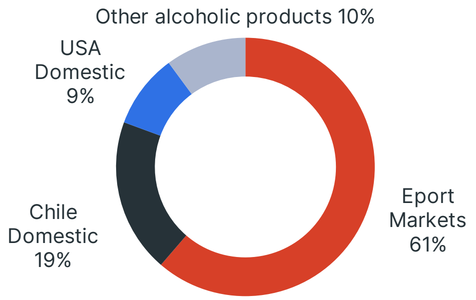
Company Description

Concha y Toro is the largest Chilean wine company, leader in the domestic market and exports with presence in over 130 countries, selling 31 million cases in 2022. 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, Japan and Singapur.

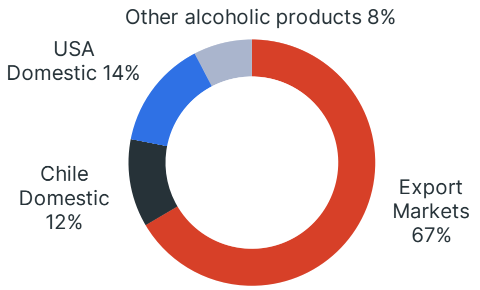
Ownership Structure (2022)



Volume Breakdown (LTM)



Revenue Breakdown (LTM)



Management

CEO: Eduardo Guilisasti
CFO: Osvaldo Solar
IRO: Daniela Lama
www.vinacyt.com

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	836,713	870,582	853,441	899,956	944,772
Gross Profit	334,920	341,721	330,224	359,983	378,959
EBITDA	164,250	135,227	114,780	156,099	164,546
Net Income	98,810	87,213	56,311	81,273	86,143
EPS (CLP)	132	117	75	109	115
Gross Margin	40.0%	39.3%	38.7%	40.0%	40.1%
EBITDA Margin	19.6%	15.5%	13.4%	17.3%	17.4%
Net Margin	11.8%	10.0%	6.6%	9.0%	9.1%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	76,205	47,401	118,091	194,165	225,520
Total Current Assets	744,909	784,436	830,271	890,603	950,815
Total Assets	1,438,625	1,581,780	1,651,718	1,745,065	1,824,156
Current Liabilities	386,389	442,640	451,386	470,215	481,498
Financial Debt	439,432	451,494	493,234	501,360	511,855
Total Liabilities	774,120	817,671	840,410	873,147	897,034
Minority Interest	6,479	7,346	7,818	9,679	11,653
Shareholders Equity	658,026	756,763	803,491	862,239	915,470
Total Liabilities + Equity	1,438,625	1,581,780	1,651,718	1,745,065	1,824,156
Net Debt /EBITDA	2.2	3.0	3.3	2.0	1.7
Financial Debt /EBITDA	2.7	3.3	4.3	3.2	3.1
Financial Debt /Equity	0.7	0.6	0.6	0.6	0.6
ROAE	15.2%	12.3%	7.2%	9.8%	9.7%
ROAA	7.3%	5.8%	3.5%	4.8%	4.8%
ROIC	10.8%	8.4%	5.6%	7.9%	8.3%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**107,143**	**76,205**	**47,401**	**118,091**	**194,165**
Cash Flow From Operations	-4,785	22,412	91,062	133,611	86,519
CAPEX	-49,683	-75,669	-53,000	-45,000	-34,720
Changes in Financial Debt	106,409	12,062	41,740	8,126	10,495
Dividends (Paid) Received	-48,868	-21,973	-36,451	-22,525	-32,912
Other CFI & CFF Items	-34,012	34,364	27,340	1,862	1,973
Changes in Equity	0	0	0	0	0
Final Cash	**76,205**	**47,401**	**118,091**	**194,165**	**225,520**
Change in Cash Position	**-30,938**	**-28,804**	**70,690**	**76,075**	**31,355**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Corficolombiana

Rating: Hold
TP: COP 18,500

Equity Research Colombia
Conglomerates

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

A negative earnings momentum and media noise but an attractive valuation make us neutral in Corfi

Investment Thesis

We are introducing our 2024E target price of COP 18,500/share for Corficolombiana and maintaining our HOLD recommendation. Even though we believe the current market valuations represent an attractive entry point, we highlight that the current noise in the local media will make it more difficult for Corficolombiana to outperform the MSCI Colcap Index in the medium term and that we see deteriorating earnings momentum in 2024.

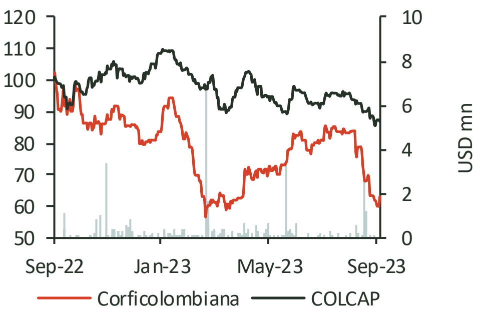
We continue to see Corficolombiana as a resilient vehicle in terms of cash flow. Significant cash flows from the conclusion of a heavy investment cycle are starting. We are estimating a toll road collection of ~COP 330 bn in 2024E for Coviandina. In addition, both Covioriente and Covipacifico should conclude their construction stages in the upcoming months and receive the collection from the roads as well as fixed government payments (vigencias futuras) with remuneration in the case of lower-than-expected collection. Indeed, Covioriente is set to receive ~COP 270 bn on an annual basis from 2022 until 2032. Furthermore, we highlight the resilient cash sources from its other investments in the utilities segment with Promigas and GEB.

Earnings momentum and media noise will be a hurdle for Corficolombiana. Despite discounted valuations and steady cash flows, Corficolombiana's equity story for 2024 is cloudy. Corficolombiana's earnings should decrease due to: i) lower construction activity as 4G projects conclude, ii) the amortization of the intangible concession asset for Coviandandina and iii) a tough comparison base related to earnings boosted by inflation in 2023. Finally, noise in local media related to the RDS2 case should also weigh on the name.

Stock Data

Ticker	corficol cb
Price (COP)	11,680
Target (COP)	18,500
Total Return	71.7%
LTM Range	10,500 - 18,970
M. Cap (USD mn)	1,066
Shares Outs. (mn)	346
Free Float	36%
ADTV (USD mn)	0.2

Price Chart (COP) and Volumes (USD mn)



Valuation

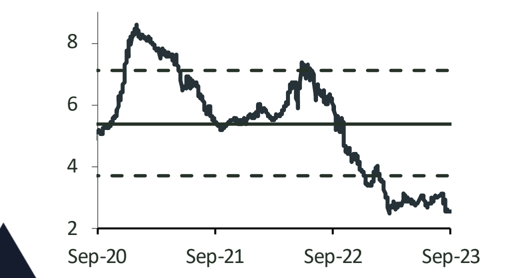
Our target price is based on a SOTP model, in which we incorporate the road concessions (Coviandina, Covipacifico and Covioriente) through the PV of flows. We incorporate Promigas, GEB and Mineros through their market prices. We then subtract the net debt of the holding company, the PV of its expenses and a 15% holding discount.

Valuation Summary

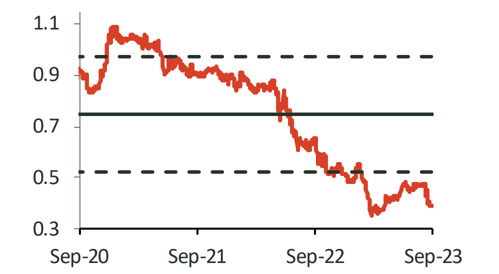
	2022	2023E	2024E	2025E
P/E	3.2	2.6	3.0	4.5
P/BV	0.5	0.3	0.3	0.2
ROAE	15.8%	13.5%	11.2%	7.1%
ROAA	3.4%	3.0%	2.8%	1.9%
Div. Yield	9.2%	14.9%	13.3%	8.8%

Sources: Company Reports and Credicorp Capital

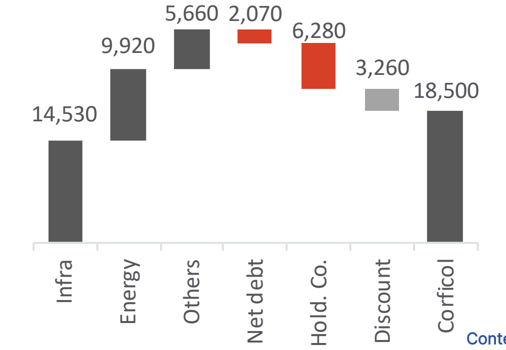
P/E 12M Forward



P/BV 12M Forward



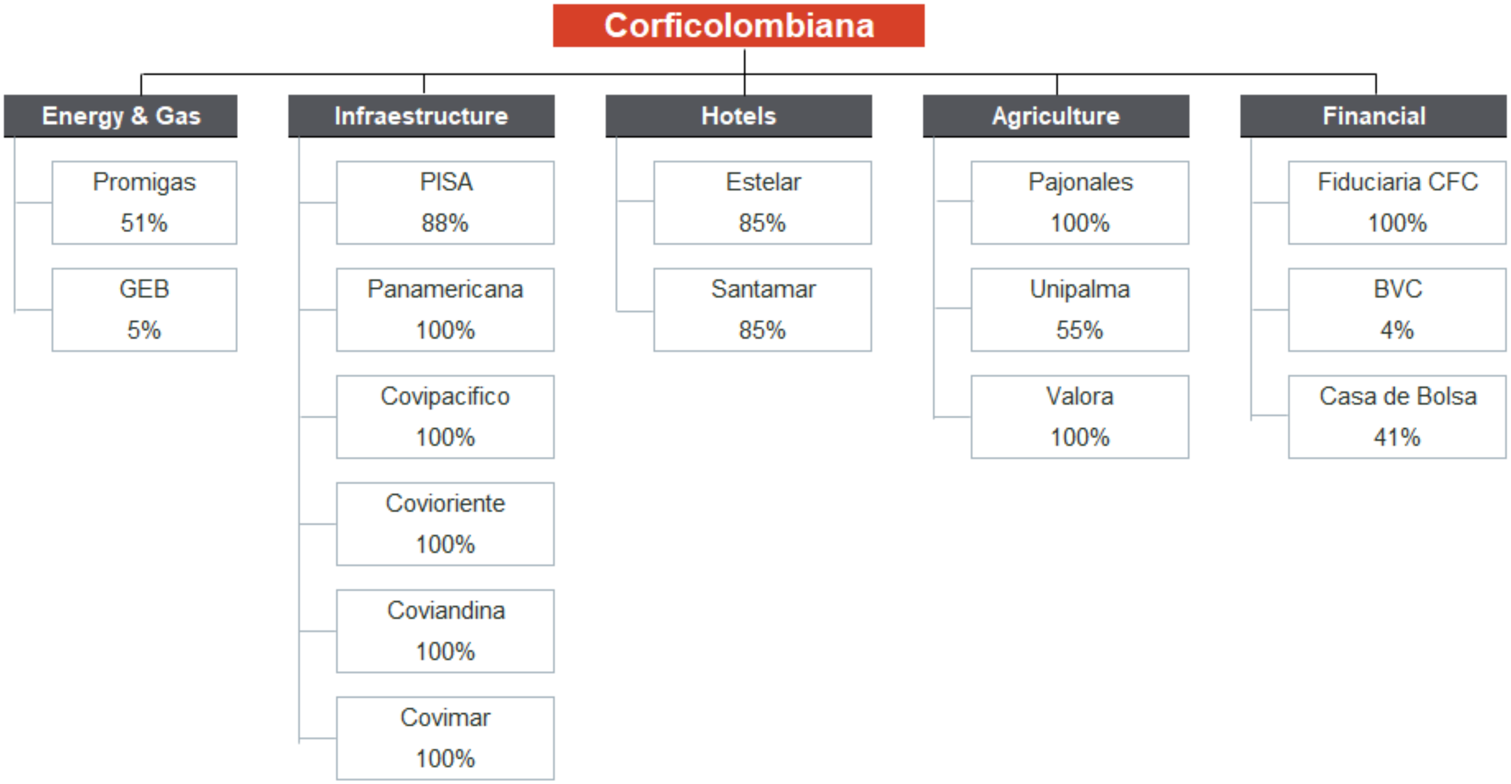
2024E TP Breakdown



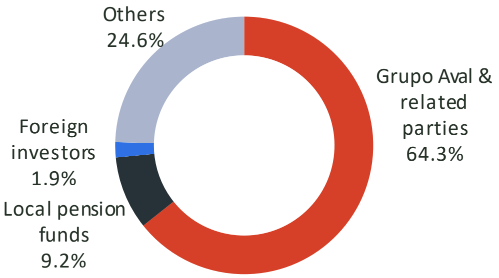
Corficol

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.



Ownership Structure



Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	3,496	4,933	4,543	4,140	3,145
Net Income	1,278	1,728	1,624	1,444	956
Holding	-298	-427	-509	-419	-430
Energy	557	510	482	494	561
Infrastructure	958	1,710	1,728	1,290	738
Hotels	-16	27	21	26	33
EPS (COP)	3,844	4,726	4,441	3,951	2,614
Net Margin	36.6%	35.0%	35.7%	34.9%	30.4%

Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Total Assets	46,992	54,033	53,060	51,114	51,627
Total Liabilities	33,719	39,162	37,305	34,367	34,367
Minority Interest	2,955	3,357	3,277	3,389	3,512
Shareholders Equity	10,318	11,514	12,479	13,358	13,748
Total Liabilities + Equity	46,992	54,033	53,060	51,114	51,627
ROAE	13.0%	15.8%	13.5%	11.2%	7.1%
ROAA	3.0%	3.4%	3.0%	2.8%	1.9%

Sources: Company Reports and Credicorp Capital

Management

CEO: Maria Lorena Gútierrez
CFO: Juan C. Paez
HIR: Diego Buitrago
www.corficolombiana.com

CredicorpCapital

Davivienda

Rating: Uperf
TP: COP 25,000

Equity Research Colombia
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

The bank hit rock bottom in the first half of 2023, and the short term continues to look challenging

Investment Thesis

We are introducing our 2024E TP of COP 25,000/share and updating our recommendation to UPERF. Davivienda reported a very negative 1H23 with ROAE at 1.9% impacted by a cost of risk (CoR) of 3.3%. As a result, the bank updated its ROAE guidance to 0%-3%, signaling that it is far from normal figures of ROAE. We do not foresee a material change in conditions in 2H23 as the CoR should continue to be above 3.0%, while we estimate a decrease in provisions in 2024, but it will still be above the long-term target. Thus, we expect a 2.5% ROAE in 2023 and 10.1% in 2024. The stock looks discounted trading at 0.4x P/BV 2024E, but we do not see a catalyst for Davivienda in the short term.

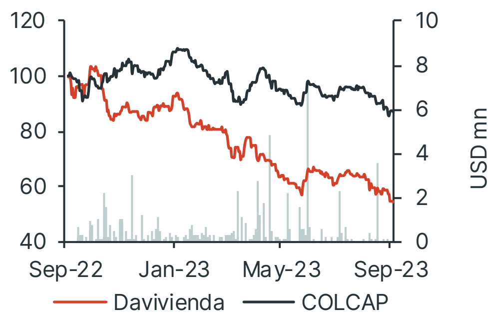
The higher need for provisions should impact the beginning of 2024. Davivienda has covered 65% of the provisions needed for the consumer segment and plans to cover 25% in 2H23 and 10% in 2024. As a result, we estimate a cost of risk of 4.3% in 3Q23, 3.4% in 4Q23 and slightly below 3.0% in 1H24. It is true that the disbursements of consumer loans have materially decreased and that the vintages are improving marginally, but a consumer NPL of 5.5% with a still challenging economic scenario makes us choose to be more conservative in the upcoming quarters. We prefer to wait for upside risks on this front.

The ROAE long-term target of 15% seems very far away. The last time Davivienda achieved a 15% ROAE was in 2016, and the bank will need achievements on different fronts to get there. A better funding structure, higher market share in transactions and growth in fees are key steps to reach the 15% area. Davivienda has the strategy, but we need to see some improvements to be more optimistic on the name.

Stock Data

Ticker	pfdavvnd cb
Price (COP)	16,900
Target (COP)	25,000
Total Return	49.5%
LTM Range	16,900 - 32,000
M. Cap (USD mn)	1,914
Shares Outs. (mn)	452
Free Float	23%
ADTV (USD mn)	0.4

Price Chart (COP) and Volumes (USD mn)



Valuation

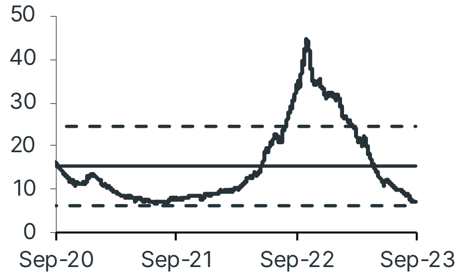
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 17.6% in COP and perpetuity growth of 5.0%. Our TP implies a 0.7x P/BV and a 6.8x P/E 2024E, while shares are currently trading at a 0.4x P/BV and a 4.6x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 13.2%.**

Valuation Summary

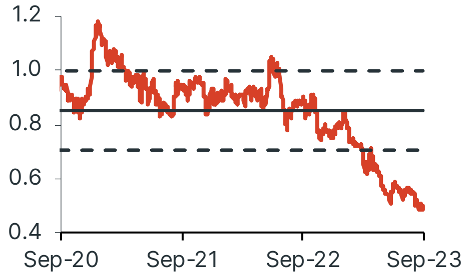
	2022	2023E	2024E	2025E
P/E	7.8	19.2	4.6	3.4
P/BV	0.8	0.5	0.4	0.4
ROAE	10.5%	2.5%	10.1%	12.4%
ROAA	0.9%	0.2%	0.9%	1.1%
Div. Yield	3.9%	6.0%	1.6%	6.5%

Sources: Company Reports and Credicorp Capital

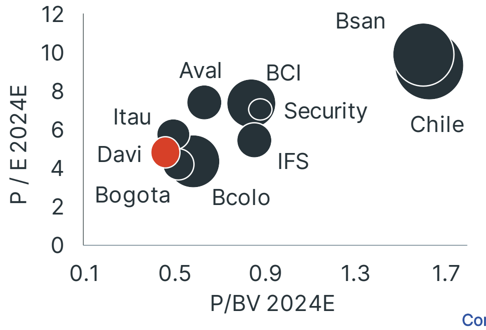
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

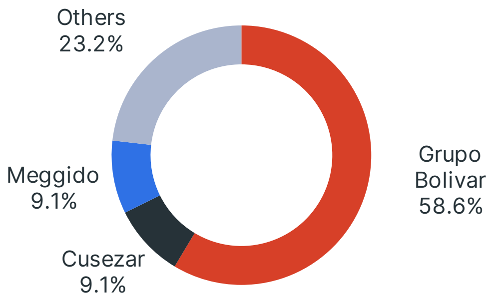


Davivienda

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.

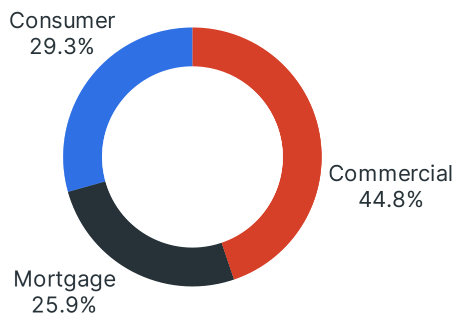
Ownership Structure



Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Net interest income	7,482	8,851	9,887	10,465	11,341
Net fee income	1,501	1,679	1,811	1,926	2,084
Operating income	9,574	11,013	11,182	12,704	13,765
Provision expenses	-3,301	-3,446	-5,301	-4,024	-3,723
Operating expenses	-4,500	-5,247	-5,825	-6,199	-6,704
Net income	1,239	1,593	397	1,662	2,236
EPS (COP)	2,744	3,527	878	3,680	4,951
Net margin	12.9%	14.5%	3.5%	13.1%	16.2%

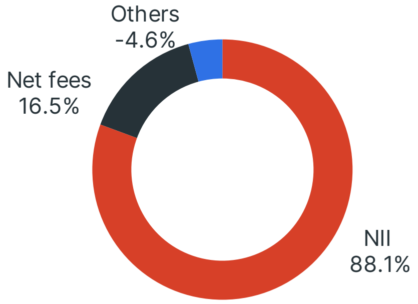
Loans by segment (2Q23)



Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	15,461	16,330	16,755	18,174	19,741
Investments	16,001	18,775	19,547	20,140	22,970
Gross loans	118,620	144,787	146,430	157,619	170,638
Total assets	152,680	184,128	186,634	199,586	217,051
Total deposits	100,879	121,072	126,743	133,407	145,043
Other funding	32,533	40,095	38,637	42,948	46,514
Total liabilities	138,401	167,835	170,843	182,252	197,962
Minority interest	144	181	176	176	194
Shareholder's equity	14,136	16,112	15,615	17,158	18,895
Total liabilities + Equity	152,680	184,128	186,634	199,586	217,051

Revenue breakdown (2Q23)



Ratios

	2021	2022	2023E	2024E	2025E
NIM	6.02%	6.12%	6.22%	6.32%	6.32%
Fee ratio	15.7%	15.2%	16.2%	15.2%	15.1%
Cost-to-income ratio	-47.0%	-47.6%	-52.1%	-48.8%	-48.7%
NPL / loans	3.4%	3.1%	4.2%	3.6%	3.1%
LLP / loans	-4.5%	-4.4%	-4.7%	-4.6%	-4.3%
Cost of credit risk	-2.93%	-2.62%	-3.64%	-2.65%	-2.27%
LLP / NPL	-135%	-139%	-112%	-129%	-139%
LTD ratio	112.3%	114.4%	110.1%	112.7%	112.6%
Loan-to-funding ratio	84.9%	85.9%	84.4%	85.2%	85.2%
BIS ratio	18.0%	16.3%	14.6%	15.0%	15.2%
ROAE	9.3%	10.5%	2.5%	10.1%	12.4%
ROAA	0.9%	0.9%	0.2%	0.9%	1.1%

Sources: Company Reports and Credicorp Capital

Management

CEO: Javier Suárez

CFO: Ricardo León

HIR: David Pedraza

www.davivienda.com

![CredicorpCapital]

Davivienda

Fixed Income Research Colombia
Banks

Baa3 / BB+ / BB+
Outlook: s / s / s

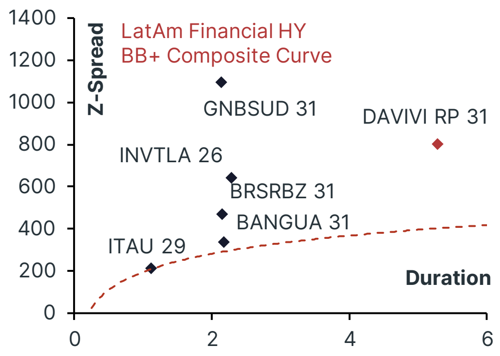
Cynthia Huaccha - chuaccha@credicorpcapital.com

Pressure on all indicators. Waiting for a catalyst for improvement

Investment Thesis

So far this year, all of the bank's credit metrics have been impacted. We highlight the high level of delinquency, the low coverage and the profitability that has been hit by the increase in CoR. Core solvency is still better than its Colombian peers but compares unfavorably with the LatAm region. The lower dynamism of the economic cycle represents a risk for the recovery from the deterioration trend. For the remainder of the year, we still expect to see the NPL ratio peak around 3Q23, after which it should progressively decrease. We believe that one of the most relevant drivers to sustain the fixed income thesis for this bond will be the capitalization/dividend distribution announcements as the company is trying to boost its CET1 ratio, even more so considering the inherent risk of the structure behind it (perpetuity with triggers related to Basel III).

Davivienda Bonds and comparables



Credit Data

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

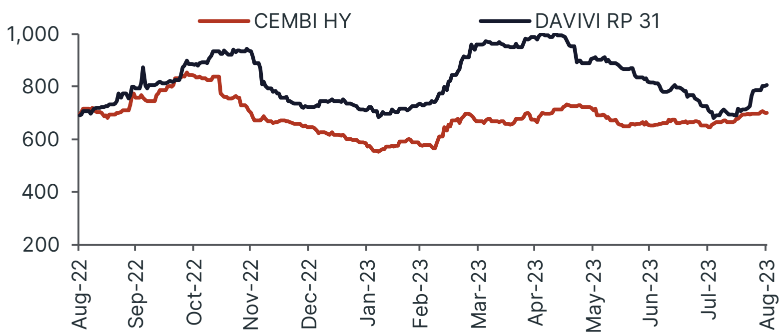
Concerns

- Relatively low solvency
- Deteriorated portfolio quality
- Profitability pressures

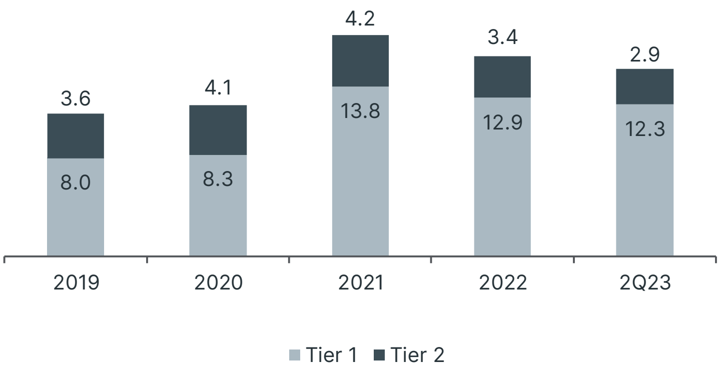
Strengths

- Diversified and ample access to funding
- Systemic relevance in the Colombian market

Z- Spread evolution



Solvency



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
DAVIVI RP 31	USD 500mn	6.7%	B2 / NR / B	800	5.3	73.9	0.75%	12.0%	Underweight

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Ecopetrol

Rating: Hold
TP: COP 2,800 (loc) / USD 12.4 (ADR)

Equity Research Colombia
Oil & Gas

Steffania Mosquera - smosquera@credicorpcapital.com
Santiago Dorado - sdoradod@credicorpcapital.com

Still awaiting definitions but the dividend seems attractive enough

Investment Thesis

We maintain our Hold recommendation on Ecopetrol's shares. We believe the market has taken a wait-and-see stance on the name given the national government's stance toward the potential issuance of new exploration licenses as well as recent changes in the company's management and possible implications on the company's 2040 strategy. That said, we would incorporate Ecopetrol in a portfolio given: i) a relatively high price environment for the Brent benchmark in the near term, ii) a conservative scenario in terms of exploration contracts incorporated in the market price, and iii) its attractive dividend yield.

A relatively high price environment for the Brent benchmark in the near term. We believe the recovery experienced in the Brent benchmark, above USD 80/bl, on potential supply-side pressures following OPEC+ production cut measures throughout 2024 should benefit Ecopetrol despite not reaching the peak levels experienced in 2022.

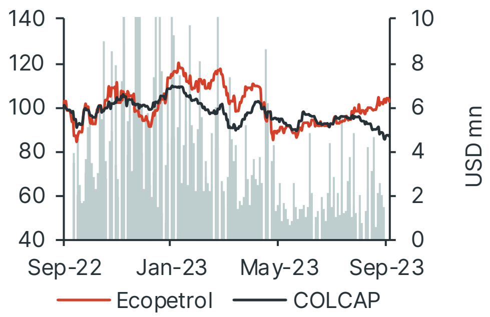
Current market prices factor in a scenario of no exploration contracts after 2030. Incorporating a no-exploration contracts scenario assumption after 2030 grants a price of 2,700/share in our model while the continuity scenario, assuming reserves additions until 2040, grants a price of 2,900/share highlighting the relatively low divergence in the TP under both scenarios.

Attractive dividend yield. We highlight the company's still attractive dividend for the forthcoming year, with an estimated 2024E dividend yield of ~12% (at current levels), on a base 60% payout assumption, one of the highest in the Colombian market.

Stock Data

Ticker	Ecopetl cb / ec us
Price (COP)	2,396 (loc) / 12.0 (ADR)
Target (COP)	2,800 (loc) / 12.4 (ADR)
Total Return	28.3%
LTM Range	1,970 - 2,803
M. Cap (USD mn)	24,706
Shares Outs. (mn)	41,117
Free Float	12%
ADTV (USD mn)	4.3

Price Chart (COP) and Volumes (USD mn)



Valuation

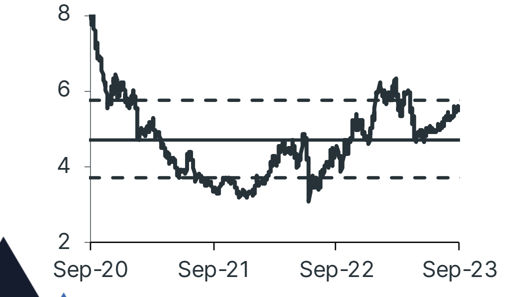
We introduce a YE24 target price of COP 2,800/share (USD 12.4/ADR), which is composed of the exploration activity continuity and the no-exploration scenario. Similarly, the valuation process considers the tax reform application with an oil-price-dependent tax surcharge and the royalties' non-deductibility. 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 24,000/share).

Valuation Summary

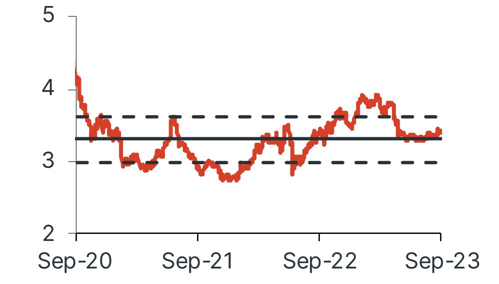
	2022	2023E	2024E	2025E
EV/EBITDA	3.1	3.6	3.7	3.8
P/E	3.0	5.2	5.7	6.6
P/CF	3.8	2.2	3.1	9.9
P/BV	1.1	1.2	1.1	1.1
Div. Yield	18.5%	24.7%	11.5%	10.5%

Sources: Company Reports and Credicorp Capital

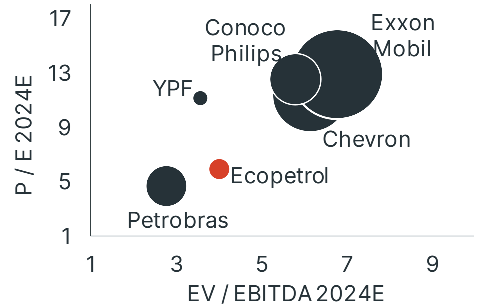
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

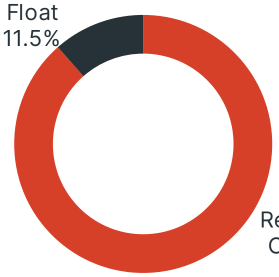


Ecopetrol

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.

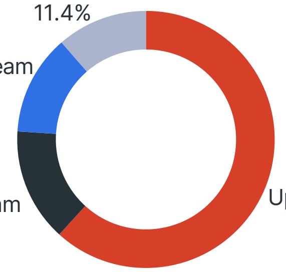
Ownership Structure



Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	91,744	159,474	145,226	144,666	141,754
Gross Profit	36,163	70,016	56,481	54,050	48,250
EBITDA	41,967	75,245	61,667	59,730	57,775
Net Income	16,694	33,407	18,810	17,300	14,983
EPS (COP)	406	812	457	421	364
Gross Margin	39.4%	43.9%	38.9%	37.4%	34.0%
EBITDA Margin	45.7%	47.2%	42.5%	41.3%	40.8%
Net Margin	18.2%	20.9%	13.0%	12.0%	10.6%

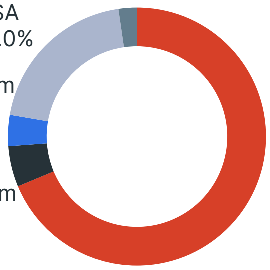
Ebitda breakdown 2022



Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	14,550	15,401	18,576	18,283	17,600
Total Current Assets	51,696	77,277	72,891	53,569	54,270
Total Assets	244,250	306,370	295,258	285,515	293,365
Current Liabilities	30,249	56,782	74,640	75,020	79,618
Financial Debt	95,061	115,135	90,983	73,270	70,243
Total Liabilities	150,498	187,283	185,946	168,612	170,184
Minority Interest	22,019	28,052	27,288	28,864	30,539
Shareholders Equity	71,733	91,035	82,024	88,039	92,641
Total Liabilities + Equity	244,250	306,370	295,258	285,515	293,365
Net Debt /EBITDA	1.9	1.3	1.2	0.9	0.9
Financial Debt /EBITDA	2.3	1.5	1.5	1.2	1.2
Financial Debt /Equity	1.3	1.3	1.1	0.8	0.8
ROAE	27.0%	41.0%	21.7%	20.3%	16.6%
ROAA	8.7%	12.1%	6.3%	6.0%	5.2%
ROIC	15.5%	21.0%	13.4%	14.5%	13.3%

Investment Plan 2023



Cash Flow Statement

COP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**5,082**	**14,550**	**15,401**	**18,576**	**18,283**
Operating Cash Flow	76,324	72,154	56,179	54,386	32,636
CAPEX	(20,511)	(20,324)	(23,010)	(25,356)	(25,854)
Changes in Debt	48,330	20,074	(24,152)	(17,714)	(3,026)
Dividends	(699)	(18,420)	(24,382)	(11,286)	(10,380)
Other CFI & CFF Items	(93,976)	(52,633)	18,540	(322)	5,941
Changes in Equity	-	-	-	-	-
Final Cash	**14,550**	**15,401**	**18,576**	**18,283**	**17,600**
Change in Cash Position	**9,468**	**851**	**3,175**	**-293**	**-683**

Sources: Company Reports and Credicorp Capital

Management

CEO: Ricardo Roa
CFO: Ana Milena López
Head CM: Carolina Tovar
www.ecopetrol.com.co

CredicorpCapital

Ecopetrol

Fixed Income Research Colombia
O&G

Baa3 / BB+ / BB+
Outlook: n / s / s

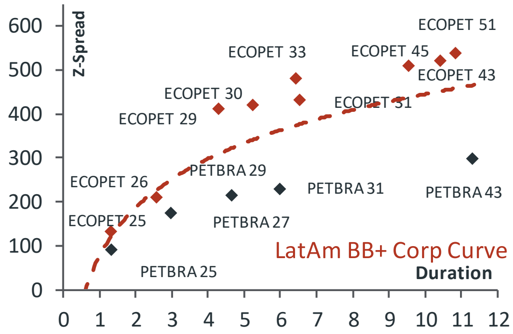
Josefina Valdivia - jvaldivia@credicorpcapital.com

Uncertainty has decreased for key matters

Investment Thesis

Political risk has been dissipating in Colombia, which has been reflected in the performance of Ecopetrol bonds. This trend has been further bolstered by the dissipation of uncertainty surrounding key matters such as the tax reform, refinancing of 2023 debt maturities and the willingness of the government to address the FEPC. Additionally, while a significant shift in the government's stance towards new contracts is not anticipated, it is worth emphasizing the company's commitment to its strategic and investment plans. We expect financial metrics to remain adequate in the coming quarters. We remain positive on the ECOPET 29 and ECOPET 30 bonds as we believe spreads remain attractive compared to the sovereign at ~125 bps. We highlight that ECOPET 51 bonds are the ones trading wider to the sovereign, but we prefer not to add duration over 10 years due to the company's reserves life.

Ecopetrol Bonds and comparables



Credit Data	
REG-S Notes	9
Outstanding Senior Notes	USD 13,050MM
Closest Call Date	-
Closest Maturity Date	16-01-2025

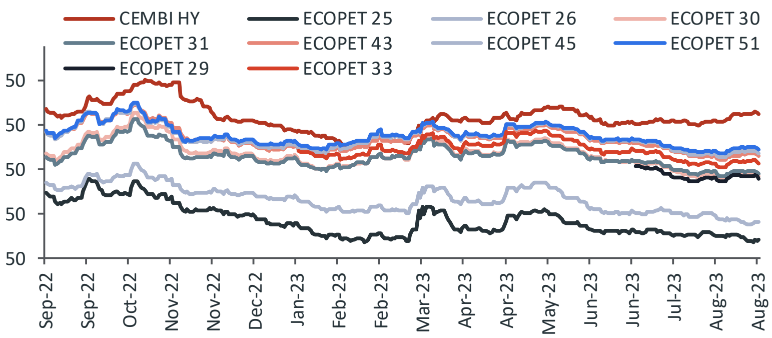
Concerns

- Low life of reserves
- Potential new issuance next year
- Government dependence on dividends
- Potential changes to the company's management / strategy under the new Gov.
- FEPC evolution in coming quarters

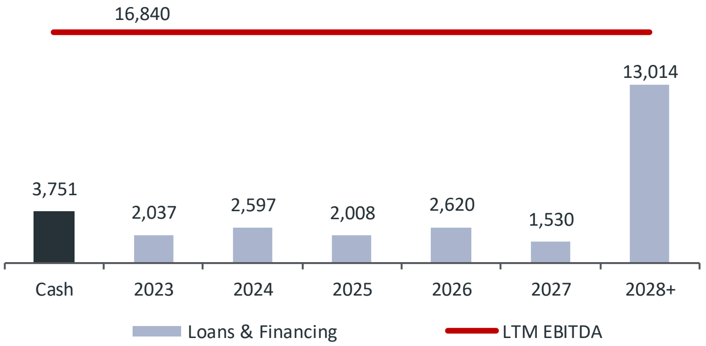
Strengths

- 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



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
ECOPET 25	USD 1,200mn	4.1%	Baa3 / BB+ / BB+	133	1.3	96.9	0.4%	6.6%	Neutral
ECOPET 26	USD 1,500mn	5.4%	Baa3 / BB+ / BB+	210	2.6	96.6	0.5%	6.7%	Neutral
ECOPET 29	USD 1,200mn	8.6%	Baa3 / BB+ / BB+	410	4.3	101.2	0.7%	8.3%	Overweight
ECOPET 30	USD 2,000mn	6.9%	Baa3 / BB+ / BB+	419	5.2	92.8	0.6%	8.3%	Overweight
ECOPET 31	USD 1,250mn	4.6%	Baa3 / BB+ / BB+	431	6.5	78.3	0.5%	8.4%	Neutral
ECOPET 33	USD 2,300mn	8.9%	Baa3 / BB+ / BB+	478	6.5	100.2	0.7%	8.8%	Neutral
ECOPET 43	USD 850mn	7.4%	Baa3 / BB+ / BB+	509	9.6	84.5	0.7%	9.1%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Embonor

Rating: Hold
TP: CLP 1,420

Equity Research Chile
Food & Beverage

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

Investors will remain focused on Bolivia's macroeconomic developments as key driver to unlock value.

Investment Thesis

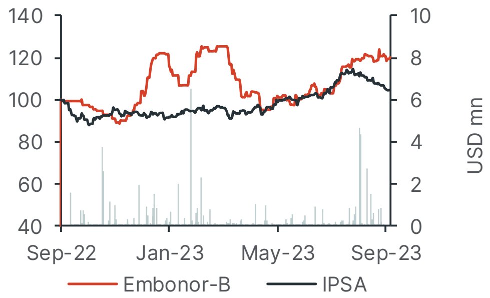
We are reiterating our HOLD recommendation and introducing a 2024YE TP of CLP 1,420. From mid-April until late July, we witnessed a ~30% rally in Embonor's shares not only as a result of a favorable performance of the IPSA but also due to the sharp reduction in Bolivia's CDS (~1,100 bps to 900 bps) attributable to the increased availability of USD thanks to the parliament approval to monetize gold reserves, a temporary release of reserve requirements for bank deposits in USD and higher fees on overseas transfers, among other factors. However, it is important to note that the structural challenges remain in place, and thus the situation remains fluid. In fact, Bolivia's CDS was up ~300 bps by the end of August. We highlight that there is a consensus that a devaluation of the BOB seems inevitable, but there is low visibility about the timing, magnitude and gradualness. Some economists indicate that the BOB is overvalued by more than 30% and expect a BOB depreciation of 10-20% in a 3-5 year timeframe. We estimate that the current share price has internalized a BOB depreciation of ~15% (right at the midpoint of experts' estimates). This does not consider the positive impact on the NFD denominated in BOB (~CLP +40/share for every 10% depreciation) or the negative implications resulting from higher local interest rates if a BOB depreciation materializes.

Sugar-coated challenge in the short term. More structural in Bolivia? While we have witnessed a normalization of prices for most of its raw materials (PET, aluminum and packaging inputs), sugar has shown an opposite trend. Considering the tighter S/D balance of sugar in Bolivia resulting from an increased use to produce green fuels to serve export markets and the limited room for implementing price hikes in the country, we expect the company's operational margins to be impacted in the upcoming quarters.

Stock Data

Ticker	embonob ci
Price (CLP)	1,294
Target (CLP)	1,420
Total Return	16.9%
LTM Range	955 - 1,350
M. Cap (USD mn)	617
Shares Outs. (mn)	266
Free Float	47%
ADTV (USD mn)	0.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

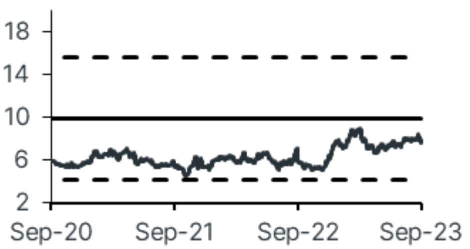
Embonor's shares are trading at 4.9x EV/Fwd EBITDA, which implies a 21% discount versus its 5-year average (far from being a rare attribute in the local equity market) and only 8% below Andina's valuation (historical discount closer to 15%). We believe that the deteriorated liquidity of Embonor's shares and its high sensitivity to Bolivia's CDS may prompt investors to remain on the sidelines for now. Not surprisingly, Embonor's stock has underperformed Andina and Mexican peers when looking at YTD returns.

Valuation Summary

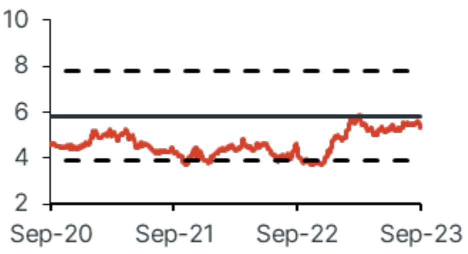
	2022	2023E	2024E	2025E
EV/EBITDA	4.6	5.3	4.7	4.2
P/E	6.4	8.4	7.8	6.7
P/CF	13.4	8.1	9.9	5.7
P/BV	1.1	1.2	1.1	1.0
Div. Yield	9.1%	5.4%	7.1%	7.7%

Sources: Company Reports and Credicorp Capital

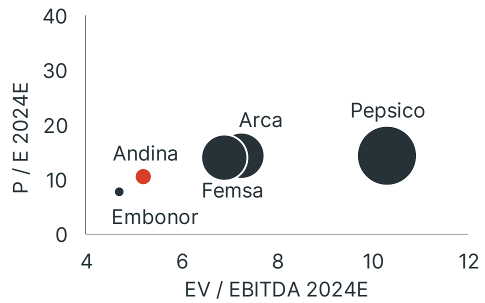
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

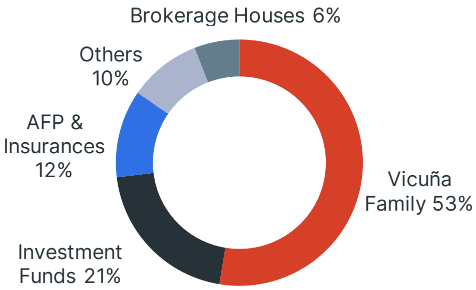


Embonor-B

Company Description

Coca - Cola Embonor is a Coca - Cola bottler with operations in Chile (extreme north and center - south) and Bolivia. In Chile, the company serves more than 8.4 million inhabitants and produces more than 190 MUC annualy. In Bolivia, it covers 96% of the total territory, serving more than 11 million inhabitants and producing more than 156 MUC. The company after the agreement with Santa Rita (2021) incorporated alcoholic beverages to it´s mix portfolio.

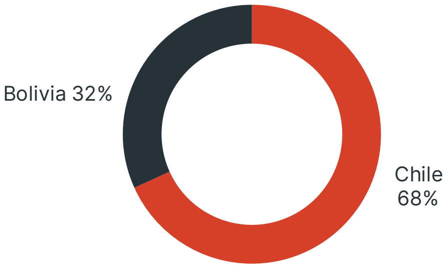
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	934,813	1,113,178	1,184,856	1,246,244	1,322,169
Gross Profit	365,793	420,124	432,642	467,822	513,482
EBITDA	160,137	177,546	170,027	188,848	214,325
Net Income	87,068	87,236	78,421	84,945	99,379
EPS (CLP)	170	171	154	166	195
Gross Margin	39.1%	37.7%	36.5%	37.5%	38.8%
EBITDA Margin	17.1%	15.9%	14.4%	15.2%	16.2%
Net Margin	9.3%	7.8%	6.6%	6.8%	7.5%

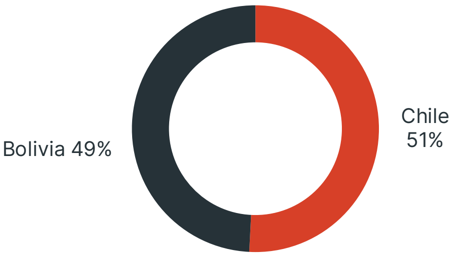
Revenue breakdown by country (LTM)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	61,641	87,653	113,350	114,168	152,770
Total Current Assets	313,760	342,657	419,980	434,855	483,801
Total Assets	1,041,860	1,123,657	1,277,034	1,320,008	1,412,189
Current Liabilities	317,401	292,987	311,412	304,745	320,639
Financial Debt	319,026	340,905	429,698	433,281	452,679
Total Liabilities	611,228	632,883	744,874	742,114	777,386
Minority Interest	19	23	23	23	26
Shareholders Equity	430,614	490,750	532,136	577,871	634,777
Total Liabilities + Equity	1,041,860	1,123,657	1,277,034	1,320,008	1,412,189
Net Debt /EBITDA	1.6	1.4	1.9	1.7	1.4
Financial Debt /EBITDA	2.0	1.9	2.5	2.3	2.1
Financial Debt /Equity	0.7	0.7	0.8	0.7	0.7
ROAE	20.5%	18.9%	15.3%	15.3%	16.4%
ROAA	8.9%	8.1%	6.5%	6.5%	7.3%
ROIC	13.9%	14.1%	10.8%	10.9%	12.1%

EBITDA breakdown by country (LTM)



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**61,267**	**61,641**	**87,653**	**113,350**	**114,168**
Cash Flow From Operations	118,272	106,538	60,318	116,945	146,417
CAPEX	-53,953	-75,310	-86,379	-80,500	-84,742
Changes in Financial Debt	12,431	21,879	88,792	3,583	19,398
Dividends (Paid) Received	-70,389	-50,920	-29,953	-39,210	-42,473
Other CFI & CFF Items	-5,987	23,825	-7,082	0	2
Changes in Equity	0	0	0	0	0
Final Cash	**61,641**	**87,653**	**113,350**	**114,168**	**152,770**
Change in Cash Position	**374**	**26,012**	**25,697**	**818**	**38,602**

Sources: Company Reports and Credicorp Capital

Management

CEO: Cristian Holhberg
CFO: Anton Szafronov
IRO: Eugenia Alvarado
www.embonor.cl

CredicorpCapital

Empresas Copec

Rating: Buy
TP: CLP 7,600

Equity Research Chile
Pulp & Paper

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

The forestry business will be leaving behind very challenging operational quarters amid more stable pulp prices.

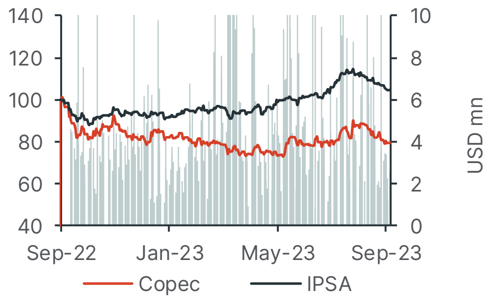
Investment Thesis

We are upgrading our recommendation to Buy from Hold and introducing a 2024YE TP of CLP 7,600/share. In our view, 2Q23 was the bottom in terms of EBITDA generation. Going forward, we forecast a gradual recovery in the contribution of its forestry business primarily attributable to higher pulp production levels on the back of a much less disruptive period in terms of unscheduled mill maintenances and with Arauco's line 3 (MAPA project) in a ramp-up process that, by the beginning of next year, should allow it to reach nearly full operation. As pulp production is expected to grow at an interannual average growth rate of ~50% in the coming four quarters (~+1 mt y/y in 2024; ~+25%), COPEC will benefit from the dilution of fixed costs and the lower cash cost of Arauco's line 3 (~USD 300/t), the depreciation of the CLP and steadier pulp prices. The latter could post a more sustainable recovery starting from late 2024 due to a tighter S/D balance leading into the year 2025. Additionally, we believe that investors overlooked the sequential improvement in margins recorded by the wood products segment in 2Q23 (after three consecutive quarters of contractions), for which we forecast a steady EBITDA of ~USD 550 mn/year in the 2023-2024 period. Regarding the fuel division, we expect EBITDA to stabilize at ~USD 1.1 bn/year on more normalized margins for the liquid fuel distribution business following the 2022 record high of ~USD 1.35 bn boosted by FIFO effects and high industrial margins. The LPG business is on track to reach an EBITDA/ton in line with the year 2021 and a total EBITDA at peak levels. On a consolidated basis, we expect the company to deliver remarkable growth in earnings and EBITDA next year (+55% and +25%, respectively), mostly explained by a larger contribution from the pulp business thanks to a spike in production and fixed costs dilution. This is an attractive attribute, considering that COPEC is one of the most lagging stocks so far this year among the IPSA members.

Stock Data

Ticker	copec ci
Price (CLP)	5,931
Target (CLP)	7,600
Total Return	31.3%
LTM Range	5,437 - 7,548
M. Cap (USD mn)	8,649
Shares Outs. (mn)	1,300
Free Float	39%
ADTV (USD mn)	4.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

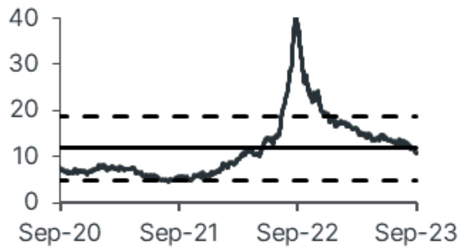
By Dec-24, COPEC trades at an EV/Fwd EBITDA of ~6.8x, slightly above CMPC (~6.1x), which indicates an attractive entry point as the 5-year gap for that multiple has averaged 1.3x. Based on this and the sustained recovery in results expected for the coming quarters, we have a short-term preference for COPEC over CMPC. We estimate that COPEC internalizes LT pulp prices USD 20-30/t below what we consider as normalized. The caveat here is that Chilean Pulp & Paper names are not particularly discounted versus their own history as this is a phenomenon also observed for its Brazilian peers.

Valuation Summary

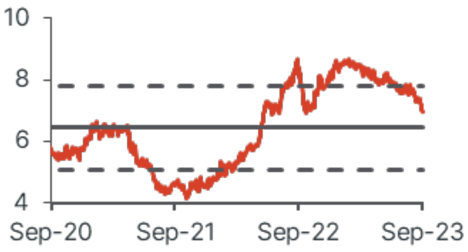
	2022	2023E	2024E	2025E
EV/EBITDA	5.1	8.2	6.6	6.1
P/E	6.6	16.4	10.6	9.6
P/CF	-21.5	62.3	13.1	8.1
P/BV	0.8	0.7	0.7	0.6
Div. Yield	5.9%	5.4%	3.1%	3.9%

Sources: Company Reports and Credicorp Capital

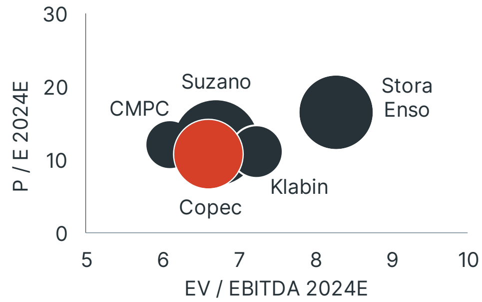
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

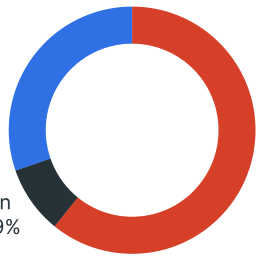


Copec

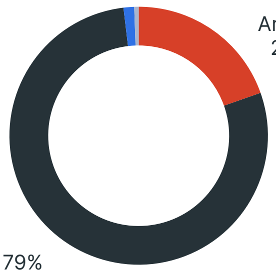
Company Description

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).

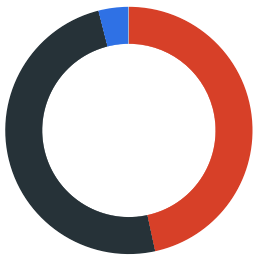
Ownership Structure



Revenue breakdown by business (2023E)



EBITDA breakdown by business (2023E)



Management

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

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	24,787	30,765	29,846	31,972	33,403
Gross Profit	4,696	5,165	3,802	4,705	4,990
EBITDA	3,434	3,621	2,164	2,712	2,904
Net Income	1,781	1,466	528	815	904
EPS (CLP)	1,167	960	362	560	621
Gross Margin	18.9%	16.8%	12.7%	14.7%	14.9%
EBITDA Margin	13.9%	11.8%	7.2%	8.5%	8.7%
Net Margin	7.2%	4.8%	1.8%	2.5%	2.7%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,853	1,733	2,004	1,753	1,866
Total Current Assets	7,163	8,545	9,701	9,860	10,146
Total Assets	25,613	28,137	29,414	30,206	30,982
Current Liabilities	3,369	5,083	4,773	4,891	4,958
Financial Debt	9,064	10,148	11,130	11,130	11,130
Total Liabilities	14,151	15,656	16,299	16,520	16,699
Minority Interest	461	438	516	544	573
Shareholders Equity	11,000	12,043	12,598	13,142	13,710
Total Liabilities + Equity	25,613	28,137	29,414	30,206	30,982
Net Debt /EBITDA	2.1	2.3	4.2	3.5	3.2
Financial Debt /EBITDA	2.6	2.8	5.1	4.1	3.8
Financial Debt /Equity	0.8	0.8	0.9	0.8	0.8
ROAE	16.5%	12.7%	4.3%	6.3%	6.7%
ROAA	7.0%	5.5%	1.8%	2.7%	3.0%
ROIC	9.5%	9.4%	3.7%	5.1%	5.4%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**2,340**	**1,853**	**1,733**	**2,004**	**1,753**
Cash Flow From Operations	3,717	1,592	832	1,398	1,733
CAPEX	-2,060	-2,349	-1,650	-1,405	-1,314
Changes in Financial Debt	-764	1,083	983	0	0
Dividends (Paid) Received	-93	-576	-467	-272	-336
Other CFI & CFF Items	-1,287	129	574	28	29
Changes in Equity	0	0	0	0	0
Final Cash	**1,853**	**1,733**	**2,004**	**1,753**	**1,866**
Change in Cash Position	**-487**	**-120**	**271**	**-251**	**113**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Enel Americas

Equity Research Chile
Utilities

Rating: Hold
TP: CLP 122

Andrew McCarthy - amccarthy@credicorpcapital.com

Corporate simplification well underway; What comes next?

Investment Thesis

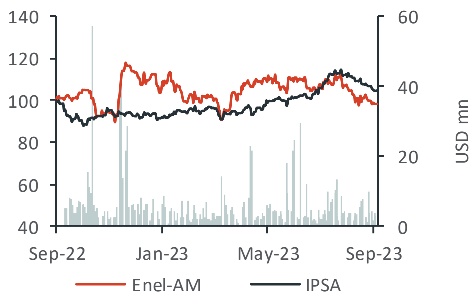
We are maintaining our Hold recommendation, and introducing a new YE2024 TP of CLP 122. We think the company has advanced very solidly with its corporate simplification plan. Enel Americas achieved a very compelling multiple of ~14.9x EV/EBITDA for the sale of Enel Distribucion Peru, has divested thermoelectric assets in Argentina, Brazil and Colombia and will probably exit completely generation in Argentina by the end of this year. On the operational side, there is increased regulatory uncertainty in Colombia but the generation business has performed well and its reservoirs are well positioned to confront potentially drier hydrological conditions given El Niño. In Brazil, our base case is for a renewal of distribution concessions and tariff indexations have been offsetting inflation in opex.

Despite the aforementioned the shares have significantly underperformed the IPSA index year-to-date in 2023 (~-24%). Beyond regulatory uncertainty, we think this is largely because investors are unsure about what comes next for the equity story. In the near-term, we think the market will be awaiting news on the appointment of the new CEO. But beyond that we think investors want to know what is next for the Enel Americas group given that for many having a simplified entity with operations principally located in Brazil and Colombia, listed on the Santiago stock exchange, with increasintly lower liquidity, does not make sense. The projected B/S de-leveraging (YE24 ND/EBITDA of 1.3x) thanks to business divestitures could pave the way for some extraordinary dividend distributions ahead but up to now there is no firm commitment on this front. As such we would expect most investors to adopt a wait-and-see approach leading up to the annual strategic update, expected at the end of Nov-23.

Stock Data

Ticker	enelam ci
Price (CLP)	99
Target (CLP)	122
Total Return	24,7%
LTM Range	91 - 119
M. Cap (USD mn)	11.940
Shares Outs. (mn)	107.280
Free Float	18%
ADTV (USD mn)	5,5

Price Chart (CLP) and Volumes (USD mn)



Valuation

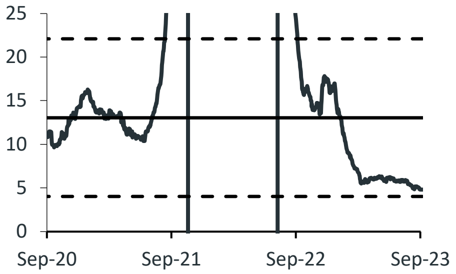
Our DCF-based, SOTP TP is CLP 122/sh (vs CLP 130 previously). Our valuation incorporates the main assumptions for investments in ENIA's 2023-25 Strategy Plan, without incorporating stewardship investing as we understand discussions with potential financial sponsors are still ongoing. We also factor in the announced sale of Enel Distribucion Peru and assume the sale of Enel Generacion Peru, both of which should occur between 2023-24. At our TP, the company's shares would be trading at 5.8x EV/Adj. 24E EBITDA.

Valuation Summary

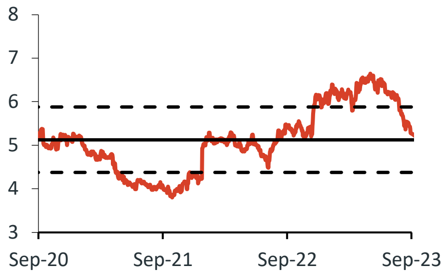
	2022	2023E	2024E	2025E
EV/EBITDA	5,6	4,6	4,2	4,0
P/E	nm	14,1	4,4	10,0
P/CF	-9,6	7,9	31,6	9,7
P/BV	1,1	0,9	0,7	0,7
Div. Yield	1,5%	0,0%	2,1%	6,7%

Sources: Company Reports and Credicorp Capital

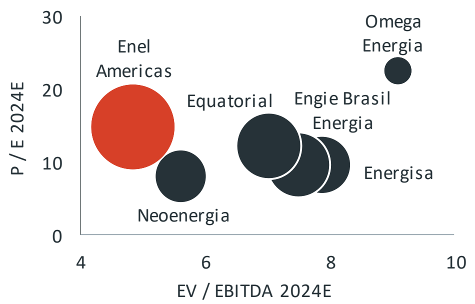
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

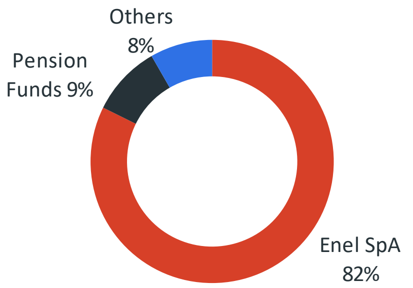


Enel-AM

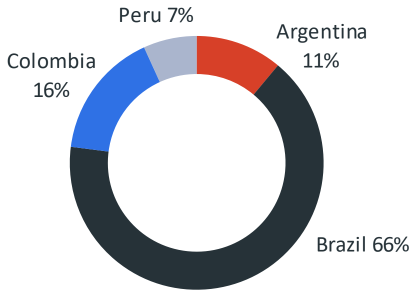
Company Description

Enel Americas is engaged in power generation and distribution across Argentina, Brazil, Colombia, Peru and Central America. The company is currently carrying out a corporate simplification process to eventually exit its activities in Argentina and Peru and focus on distribution concessions in big cities. In addition it is investing in growing its renewables fleet and gradually exiting its thermoelectric power generation business. As at Jun-23, the company had 23.5 million grid customers and 13.6 GW of installed generation capacity of which ~90% is renewables based.

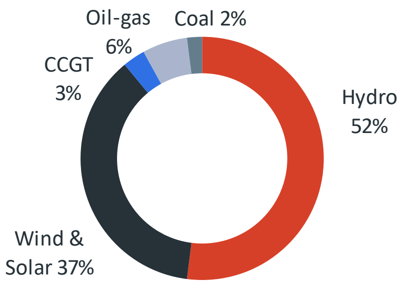
Ownership Structure



Grid customers Jun-23



Installed Capacity Jun-23



Management

Interim CEO & CFO: Aurelio Bustilho de Oliveira
IRO: Rafael de la Haza
www.enelamericas.com

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	16.192	15.729	13.628	14.468	15.015
EBITDA	4.102	4.825	3.844	4.301	4.478
EBIT	2.664	2.161	2.603	2.942	3.002
Net Income	741	-44	846	2.681	1.190
EPS (CLP)	6,3	-0,4	7,0	22,3	9,9
EBITDA Margin	25,3%	30,7%	28,2%	29,7%	29,8%
EBIT Margin	16,5%	13,7%	19,1%	20,3%	20,0%
Net Margin	4,6%	-0,3%	6,2%	18,5%	7,9%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1.396	1.122	3.500	4.901	4.380
Fixed Assets	12.998	13.682	12.726	12.353	13.074
Total Assets	34.959	34.774	34.216	36.035	36.750
Other liabilities	9.566	8.104	7.021	7.454	7.735
Financial Debt	10.363	11.223	10.842	10.328	10.328
Total Liabilities	19.929	19.327	17.864	17.782	18.063
Minority Interest	2.197	2.490	2.549	2.023	2.071
Shareholders Equity	12.833	12.957	13.803	16.230	16.616
Total Liabilities + Equity	34.959	34.774	34.216	36.035	36.750
Net Debt /EBITDA	2,2	2,1	1,9	1,3	1,3
Financial Debt /EBITDA	2,5	2,3	2,8	2,4	2,3
Financial Debt /Equity	0,8	0,9	0,8	0,6	0,6
ROAE	7,1%	-0,3%	6,3%	17,9%	7,2%
ROAA	2,4%	-0,1%	2,5%	7,6%	3,3%
ROIC	7,5%	2,3%	6,8%	8,4%	8,1%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**1.507**	**1.396**	**1.122**	**3.500**	**4.901**
Cash Flow From Operation:	2.295	2.031	4.277	2.507	3.432
CAPEX	-3.012	-3.533	-2.770	-2.130	-2.198
Changes in Financial Debt	1.593	860	-381	-514	0
Dividends (Paid) Received	-413	-222	0	-254	-804
Other CFI & CFF Items	-574	590	1.252	1.792	-952
Changes in Equity	0	0	0	0	0
Final Cash	**1.396**	**1.122**	**3.500**	**4.901**	**4.380**
Change in Cash Position	**-111**	**-275**	**2.378**	**1.401**	**-522**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Enel Chile

Rating: Uperf
TP: CLP 55

Equity Research Chile
Utilities

Andrew McCarthy - amccarthy@credicorpcapital.com

Strong 2023 priced in; shares could underperform the market in 2024

Investment Thesis

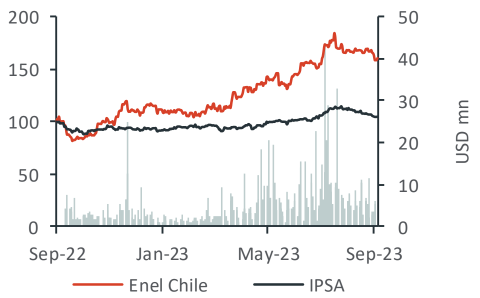
We are changing our recomendation from Buy to Uperf, and introducing a new YE2024 TP of CLP 55 (vs CLP 44 previously). We are setting aside our long-standing Buy recommendation for Enel Chile's shares as we prefer to take profits following a strong LTM performance (+62%). We think the strong performance in the shares has been well warranted following the successful sale of the transmission business for a 19.1x EV/EBITDA multiple, the improved operating environment thanks to a better outlook for hydroelectric generation and lower international fuel prices, and the recently announced sale of four solar PV power plants (Arcadia) at an EV/EBITDA multiple of 8.7x. Our base case is for very strong 2H23 financial results thanks largely to our expectation for 11.8 TWh of hydroelectric generation this year (vs company's guidance of 10.3-11.3 TWh) based on hydro generation data from Jul/Aug-23 and the recently improved ice water forecast.

Good news already priced in. We acknowledge an attractive 12m fwd. dividend yield of ~9% at current levels but we believe the shares are already trading at a significant premium (~7x EV/24 EBITDA) to historic levels (last 5-yr 12m fwd. average of 5.5x). We think some of this premium is deserved considering expectations of higher long-term energy prices. But we also note that as we enter 2024, investors' attention should increasingly turn to declining EBITDA (2023-25 CAGR of -6%) on normalization of hydrology in Chile, lower profits from gas commercialization, and expiry of higher priced regulated PPAs at the end of 2024 offsetting continued EBITDA growth from EGP Chile. Finally, if our bullish expectations for 2023 hydroelectric generation are not met, we think the shares could be vulnerable to a correction, at the current levels.

Stock Data

Ticker	enelchil ci
Price (CLP)	54
Target (CLP)	55
Total Return	10,7%
LTM Range	28 - 63
M. Cap (USD mn)	4.221
Shares Outs. (mn)	69.167
Free Float	35%
ADTV (USD mn)	5,1

Price Chart (CLP) and Volumes (USD mn)



Valuation

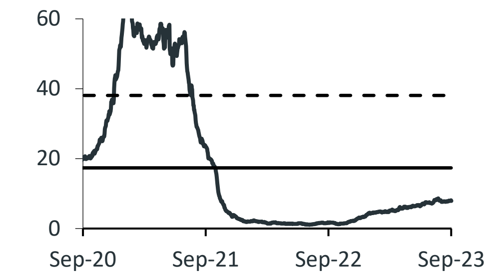
Our sum-of-the-parts, multiple-based YE2024 Target Price is CLP 55/sh (+25% vs prior). The higher target price is due to us rolling forward the valuation, incorporating the positive hydrological scenario for 2023 and for the sale of Arcadia. We have also lifted our long-term energy price to USD 60/MWh (from USD 45/MWh previously). For the Dec-24 valuation date our implied blended 12m fwd. target EV/EBITDA multiple is 7.3x.

Valuation Summary

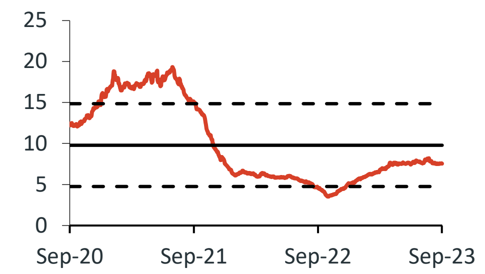
	2022	2023E	2024E	2025E
EV/EBITDA	6,4	6,4	7,1	7,2
P/E	2,2	5,5	8,2	9,4
P/CF	nm	265,2	6,2	5,5
P/BV	0,7	0,8	0,8	0,8
Div. Yield	1,2%	11,1%	9,1%	6,1%

Sources: Company Reports and Credicorp Capital

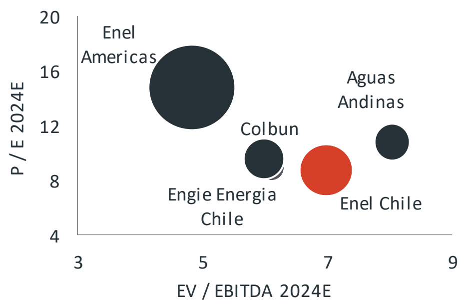
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

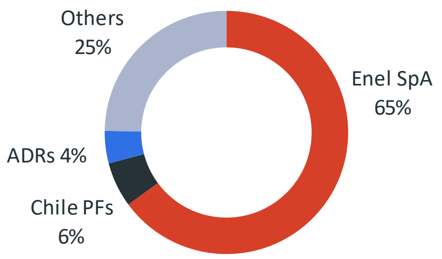


Enel Chile

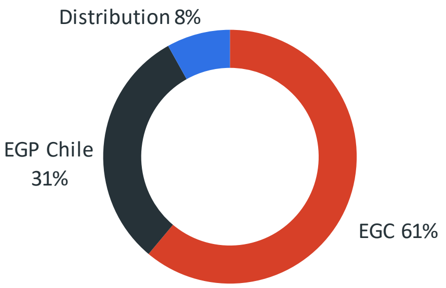
Company Description

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 transfered to the Enel Chile group. Enel Chile has an installed capacity of ~8.5 GW. Enel Distribucion Chile provides power distribution services to ~2.1 mn clients in the Santiago metropolitan area.

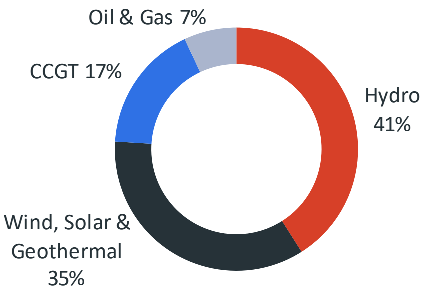
Ownership Structure



Breakdown of EBITDA 2023E



Installed Capacity 1H23



Management

CEO: Fabrizio Barderi
CFO: Giuseppe Turchiarelli
IRO: Isabela Klemes
www.enel.cl

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	3.666	5.674	5.381	4.963	4.177
EBITDA	670	1.344	1.360	1.229	1.196
EBIT	419	1.104	1.071	902	835
Net Income	109	1.433	765	512	449
EPS (CLP)	1,3	17,6	9,9	6,6	5,8
EBITDA Margin	18,3%	23,7%	25,3%	24,8%	28,6%
EBIT Margin	11,4%	19,5%	19,9%	18,2%	20,0%
Net Margin	3,0%	25,3%	14,2%	10,3%	10,7%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	369	1.032	972	1.076	1.375
Fixed Assets	7.172	7.722	7.844	8.224	8.160
Total Assets	11.151	13.941	13.841	13.972	14.167
Other Liabilities	2.188	4.010	3.610	3.610	3.610
Financial Debt	5.034	4.774	4.774	4.774	4.774
Total Liabilities	7.223	8.784	8.384	8.384	8.384
Minority Interest	292	343	346	349	351
Shareholders Equity	3.636	4.814	5.110	5.239	5.432
Total Liabilities + Equity	11.151	13.941	13.841	13.972	14.167
Net Debt /EBITDA	7,0	2,8	2,8	3,0	2,8
Financial Debt /EBITDA	7,5	3,6	3,5	3,9	4,0
Financial Debt /Equity	1,4	1,0	0,9	0,9	0,9
ROAE	2,6%	33,9%	15,4%	9,9%	8,4%
ROAA	1,0%	11,4%	5,5%	3,7%	3,2%
ROIC	4,2%	9,3%	8,5%	7,1%	6,6%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**471**	**369**	**1.032**	**972**	**1.076**
Cash Flow From Operations	628	1.080	816	1.384	1.063
CAPEX	-960	-1.048	-800	-707	-297
Changes in Financial Debt	1.016	-260	0	0	0
Dividends (Paid) Received	-291	-38	-469	-382	-256
Other CFI & CFF Items	-495	930	392	-189	-212
Changes in Equity	0	0	0	0	0
Final Cash	**369**	**1.032**	**972**	**1.076**	**1.375**
Change in Cash Position	**-103**	**664**	**-60**	**104**	**298**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Enel Distribucion Peru

Equity Research Peru
Utilities

Rating: Buy
TP: PEN 4.10

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

Unlocking potential upside in impending sale transaction.

Investment Thesis

We are reiterating our BUY recommendation for Enel Distribución shares and introducing a TP of PEN 4.10/sh. The target price is derived from Enel Americas' April 2023 announcement that China Southern Power Grid agreed to purchase all of its shares in Enel Distribución (83.15%) and Enel X Perú (100%). The agreed-upon sale price for both businesses is equivalent to an equity value of USD 2.9 bn, implying a total enterprise value of USD 4 bn, subject to customary transaction adjustments.

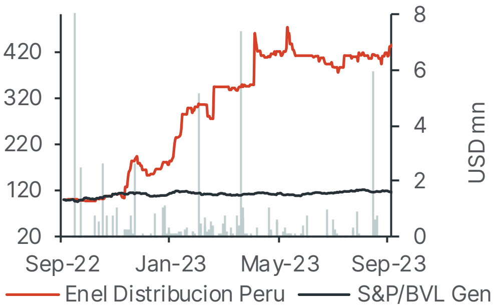
Assuming that the majority of the equity value corresponds to Enel Distribución Perú (about 99%) and that Enel X represents only 1%, the sale of Enel Distribución Perú implies an approximate EV/EBITDA 23 multiple of 13.6x (+~18 vs its current level) and an implied share price of PEN 4.16/share. The multiple appears quite favorable given current market conditions, and it is noteworthy when compared to the Luz del Sur transaction, also involving a Chinese company, which had an EV/EBITDA multiple of 16x back in 2020.

The **primary risks** at present are as follows: i) Competition authority approval: While expert opinions suggest this is not a significant risk, the approval may come with certain conditions, similar to previous similar transactions. ii) FX: A depreciation of USD would reduce the equivalent share price in PEN. iii) OPA for minority shares: An outstanding risk is whether China Southern Power Grid will opt to launch a mandatory takeover bid for 83.15% or more of the minority shares. If it chooses not to acquire 100% of the minority shares, investors may be left with shares in a relatively illiquid stock. We have factored this into our target price, assuming that the OPA will cover only the legally required minimum.

Stock Data

Ticker	endispc1 pe
Price (PEN)	3.58
Target (PEN)	4.10
Total Return	16.4%
LTM Range	0.80 - 3.90
M. Cap (USD mn)	2,936
Shares Outs. (mn)	3,033
Free Float	17%
ADTV (USD mn)	0.3

Price Chart (PEN) and Volumes (USD mn)



Valuation

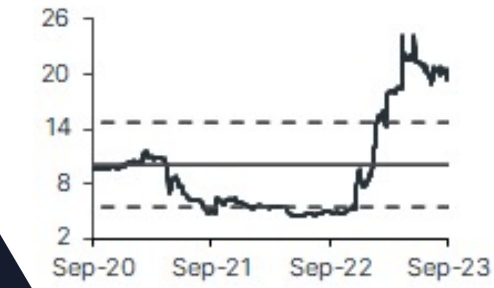
There is still room to reach the transaction EV/EBITDA multiple of 13.6x. Our target price is based on the implicit price resulting from the sale announcement applied to the shares held by Enel and the minimum number of shares subject to the mandatory takeover bid (83.15% + 14.01%). For the remaining shares (2.84%), the price is determined by a DCF model (WACC 8.9% - ke 11.1%), which yields an EV/EBITDA 24 of 7.1x.

Valuation Summary

	2022	2023E	2024E	2025E
EV/EBITDA	6.1	11.5	11.0	10.5
P/E	9.5	22.1	20.4	20.0
P/CF	20.3	34.7	72.0	21.9
P/BV	1.5	3.2	2.9	2.7
Div. Yield	3.6%	1.9%	1.9%	2.0%

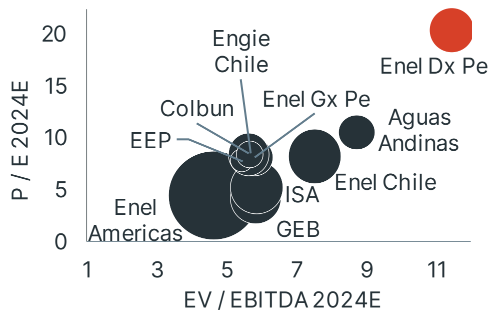
Sources: Company Reports and Credicorp Capital

P/E 12M Forward



EV/EBITDA 12M Forward

Relative Valuation



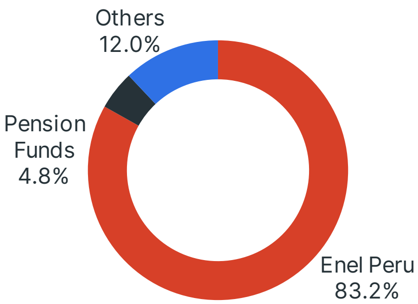
Contents

Enel DX Peru

Company Description

Enel Dx Peru distributes and sells electricity to the northern region of the Lima Metropolitan Area and Callao, with ~1.6 mn clients. The company exclusively serves 52 districts in Lima, and its concession area consists mainly on the industrial part of the city and some of its most populous districts.

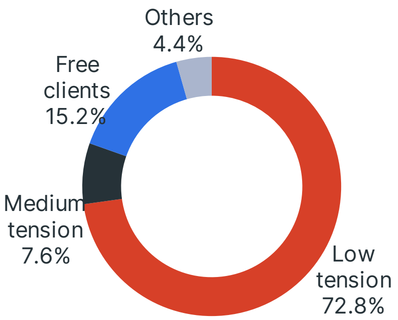
Ownership Structure



Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	3,439	3,923	4,204	4,582	4,765
Operating costs	2,589	2,892	3,099	3,420	3,553
EBITDA	850	1,031	1,105	1,162	1,213
Net Income	331	479	490	533	544
EPS (PEN)	0.52	0.8	0.2	0.2	0.2
EBITDA/MWh (USD)	26.6	30.3	31.2	32.6	33.4
EBITDA Margin	24.7%	26.3%	26.3%	25.4%	25.4%
Net Margin	9.6%	12.2%	11.7%	11.6%	11.4%

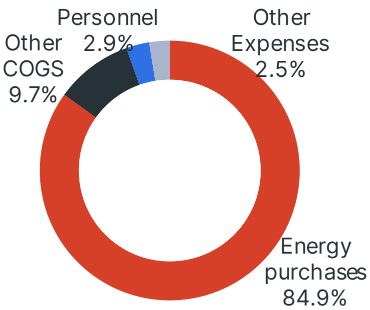
Energy Distribution Services Sales (2022)



Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	228	49	257	227	508
PP&E	4,735	5,208	5,468	5,927	6,066
Total Assets	5,776	6,153	6,622	7,051	7,470
Other liabilities	1,074	1,245	1,245	1,245	1,245
Financial Debt	1,926	1,819	2,005	2,106	2,199
Total Liabilities	3,001	3,065	3,250	3,352	3,444
Minority Interest	0	0	0	0	0
Shareholders Equity	2,776	3,089	3,372	3,699	4,026
Total Liabilities + Equity	5,776	6,153	6,622	7,051	7,470
Net Debt /EBITDA	2.0	1.7	1.6	1.6	1.4
Financial Debt /EBITDA	2.3	1.8	1.8	1.8	1.8
Financial Debt /Equity	0.7	0.6	0.6	0.6	0.5
ROAE	12.2%	16.3%	15.2%	15.1%	14.1%
ROAA	6.0%	8.0%	7.7%	7.8%	7.5%
ROIC	8.8%	11.2%	10.9%	10.9%	10.7%

Cost breakdown (2022)



Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**149**	**228**	**49**	**257**	**227**
Cash Flow From Operations	848	921	861	896	941
CAPEX	-610	-698	-548	-745	-446
Changes in Financial Debt	150	-107	185	102	92
Dividends (Paid) Received	-211	-165	-207	-206	-216
Other CFI & CFF Items	-98	-131	-83	-77	-90
Changes in Equity	0	0	0	0	0
Final Cash	**228**	**49**	**257**	**227**	**508**
Change in Cash Position	**79**	**-180**	**208**	**-30**	**281**

Sources: Company Reports and Credicorp Capital

Management

CEO: Monica Cataldo
CFO: Guillermo Lozada
IRO: Pilar Cano
www.enel.pe

CredicorpCapital

Enel Generacion Peru

Rating: Hold
TP: PEN 3.86

Equity Research Peru
Utilities

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

Awaiting potential sale that could be a key catalyst after value-adding merger

Investment Thesis

We are maintaining our HOLD recommendation for Enel Generación and updating the target price to PEN 3.86/sh, which incorporates the recent merger with the renewable vehicle Enel Green Power Peru (EGP). While we find this stock to be quite attractive, the primary potential upside comes from the possibility of a transaction following the announcement of Enel Americas's exit from its Peru operations last year. Regarding this, we believe that an announcement may take longer than initially anticipated.

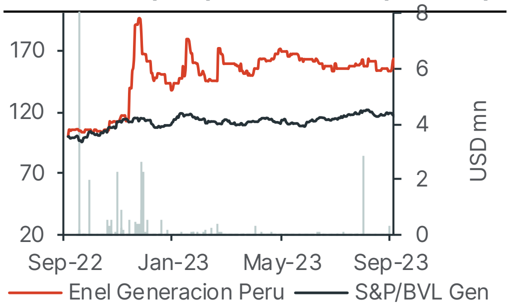
From a fundamental perspective, we have favored Enel Generación Peru for its consistent operational resilience, low capital requirements and dividend yield, making it an attractive choice for income investors. Following the recent merger with EGP, we anticipate a shift in the stock's thesis towards growth. Apart from its existing plants, EGP has two more plants under construction and a potential pipeline. We expect these developments to materialize as PPAs are inked and as the energy market's S/D dynamics evolve. In this context, we posit that the main advantages arising from the company's technology diversification post-merger (36% hydro, 38% thermal and 26% renewables for 2024) will include a more operationally efficient matrix and an expanded contract portfolio, which would also enhance value in the event of an acquisition due its higher multiples.

Looking ahead, we believe that investors' primary focus will be on the possibility of an acquisition transaction. When using the average multiple of comparable transactions and considering the legal minimum requirement for a takeover bid, it results in an attractive price of PEN 4.80/sh.

Stock Data

Ticker	engepec1 pe
Price (PEN)	3.85
Target (PEN)	3.86
Total Return	11.8%
LTM Range	3.00 - 5.00
M. Cap (USD mn)	1,819
Shares Outs. (mn)	1,748
Free Float	16%
ADTV (USD mn)	0.2

Price Chart (PEN) and Volumes (USD mn)



Valuation

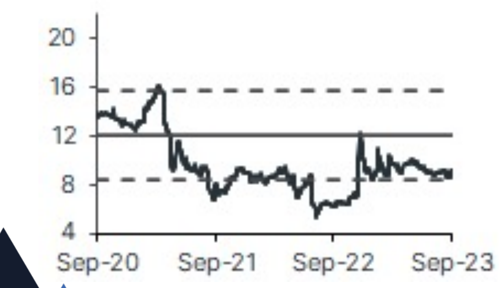
The target price is based on a weighting of 50% from a DCF model (EV/EBITDA 24: 6.0x), which includes a summation of the conventional power generation business (EV/EBITDA 24: 5.4x; WACC: 10.3%) and the renewable business (EV/EBITDA 24: 11.1x; WACC: 9.2%). The other 50% comes from a multiple based on comparable transactions (EV EBITDA: 9.6x).

Valuation Summary

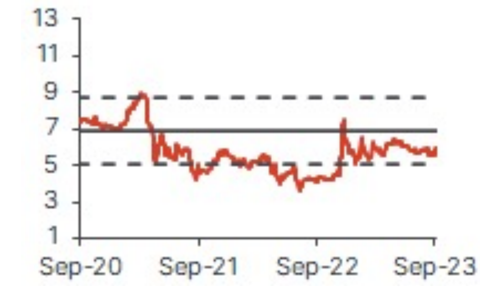
	2022	2023E	2024E	2025E
EV/EBITDA	5.9	5.9	5.3	5.1
P/E	8.9	9.5	8.1	7.4
P/CF	8.1	8.6	7.5	7.2
P/BV	3.0	3.0	2.9	2.8
Div. Yield	10.4%	9.4%	11.5%	12.8%

Sources: Company Reports and Credicorp Capital

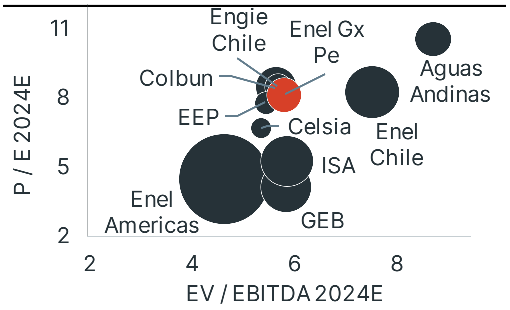
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

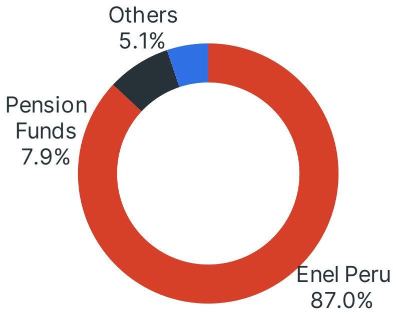


Enel GX Peru

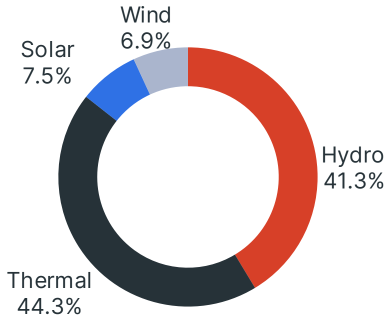
Company Description

Enel Generacion Peru is one of the largest power generators in Peru. The company, including the recent merger with Enel Green Power Peru, operates with an installed capacity of almost 1.9 GW, from which 44% corresponds to thermal units, 41% to hydro assets and 14% to renewables. Enel Generacion Peru is controlled by the Enel Group and has an 80%-owned subsidiary named Chinango (195 MW).

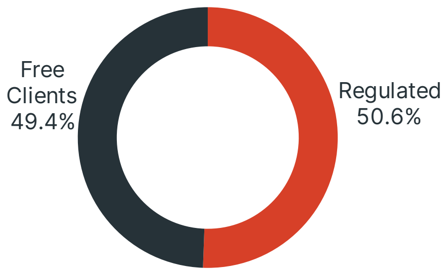
Ownership Structure



Installed Capacity (2023)



LTM Contract Sales Breakdown GWh



Management

CEO: Rigoberto Novoa

CFO: Guillermo Lozada

IRO: Pilar Cano

www.enel.pe

Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	1,789	2,227	2,617	2,507	2,617
Gross Profit	876	1,041	1,125	1,235	1,304
EBITDA	1,011	1,183	1,231	1,357	1,423
Net Income	588	707	705	831	904
EPS (PEN)	0.2	0.4	0.4	0.5	0.5
Gross Margin	48.9%	46.8%	43.0%	49.2%	49.8%
EBITDA Margin	56.5%	53.1%	47.1%	54.1%	54.4%
Net Margin	32.8%	31.7%	27.0%	33.2%	34.5%

Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	199	140	310	586	612
Total Current Assets	614	636	844	1,141	1,183
Total Assets	4,286	4,180	4,355	4,605	4,606
Current Liabilities	628	1,084	1,130	1,229	1,134
Financial Debt	287	639	649	782	677
Total Liabilities	1,617	1,992	2,029	2,174	2,078
Minority Interest	81	79	101	124	150
Shareholders Equity	2,588	2,108	2,226	2,307	2,378
Total Liabilities + Equity	4,286	4,180	4,355	4,605	4,606
Net Debt /EBITDA	0.1	0.4	0.3	0.1	0.0
Financial Debt /EBITDA	0.3	0.5	0.5	0.6	0.5
Financial Debt /Equity	0.1	0.3	0.3	0.3	0.3
ROAE	21.1%	30.1%	32.6%	36.7%	38.6%
ROAA	13.2%	16.7%	16.5%	18.6%	19.6%
ROIC	22.0%	26.7%	27.9%	32.1%	34.4%

Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**556**	**199**	**140**	**310**	**586**
Cash Flow From Operation:	1,256	914	1,078	923	834
CAPEX	-228	-83	-130	-92	-94
Changes in Financial Debt	173	352	10	134	-105
Dividends (Paid) Received	-601	-653	-631	-774	-859
Other CFI & CFF Items	-567	-19	-157	86	251
Changes in Equity	-390	-570	0	0	0
Final Cash	**199**	**140**	**310**	**586**	**612**
Change in Cash Position	**-357**	**-59**	**170**	**277**	**26**

Sources: Company Reports and Credicorp Capital

(1) Consolidated Financials only from Enel Generacion Peru pre-merger with EGP.

CredicorpCapital

Engie Energía Chile

Rating: Hold
TP: CLP 925

Equity Research Chile
Utilities

Andrew McCarthy - amccarthy@credicorpcapital.com

Asset transformation plan on a firmer footing

Investment Thesis

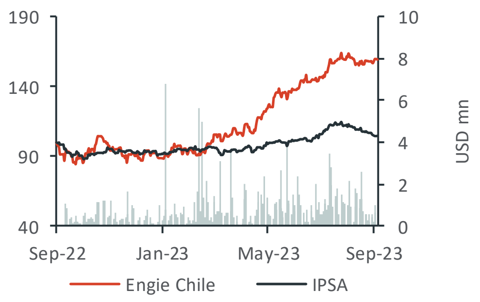
We are changing our recommendation from Buy to Hold, and introducing a new YE2024 TP of CLP 925. At the turn of the year, the shares were struggling as investors fretted over LNG supply issues, unavailability of efficient thermoelectric capacity and as the balance sheet position became an increasingly big concern (YE22 ND/EBITDA ~8.9x). Thereafter a combination of factors such as the application of indexations in regulated segment PPAs, securing LNG supply from third parties and a tolling agreement at Kelar, lower international fuel prices, an improved hydrological outlook and greater visibility of monetization of PEC2 receivables have supported the shares. In addition the company has continued with its commitment to add ~2 GW of renewables capacity via recent announcements on Lomas de Taltal (342 MW wind), BESS Coya (139 MW) and BESS Tamaya (68 MW).

Recent gains leave the stock fairly priced, in our view. EECL's 2023E EBITDA guidance range is USD 300-350 mn although it acknowledged in its last results call that if current market conditions persist, the higher end of this range should likely be the floor for this year's result. Given Jul/Aug-23 hydro production data and the system coordinator's recently updated ice water forecast, our base case is for low spot market prices in 2H23, which should be very favorable for EECL's electricity margins. For 2024 we also have an EBITDA estimate that exceeds the company's published guidance range of USD 400-450 mn. Our point is that with bullish expectations already in our numbers, we see more risk to the downside than the upside, at current levels. Finally we highlight that income investors should likely favor other names given EECL has signalled its preference for capital allocation towards investments in the transformation of its fleet rather than dividend payments.

Stock Data

Ticker	ecl ci
Price (CLP)	845
Target (CLP)	925
Total Return	12,1%
LTM Range	448 - 870
M. Cap (USD mn)	999
Shares Outs. (mn)	1.053
Free Float	40%
ADTV (USD mn)	0,8

Price Chart (CLP) and Volumes (USD mn)



Valuation

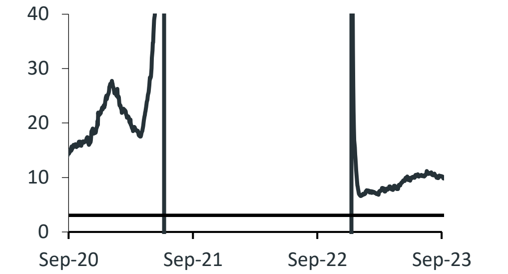
Our sum-of-the-parts, multiple-based YE2024 Target Price is CLP 925/sh (+19% vs prior of CLP 775/sh). We have lifted our long-term energy price assumption to USD 60/MWh (from USD 45/MWh). At our Dec-24 valuation date we value the core generation business, the consolidated transmission business and TEN at 12m fwd. EV/EBITDA multiples of 5.0x, 8.5x and 12.0x, respectively. The implied blended target EV/25E EBITDA multiple is 6.0x.

Valuation Summary

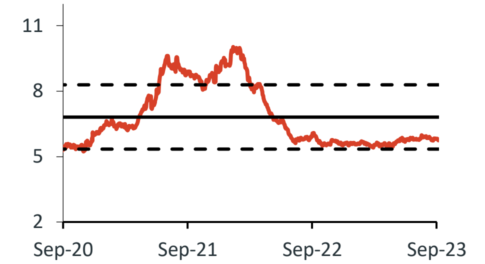
	2022	2023E	2024E	2025E
EV/EBITDA	12,3	6,1	5,2	4,9
P/E	-1,6	11,4	8,5	8,2
P/CF	-7,7	-5,9	-7,1	911,8
P/BV	0,3	0,5	0,5	0,5
Div. Yield	0,0%	0,0%	2,6%	3,5%

Sources: Company Reports and Credicorp Capital

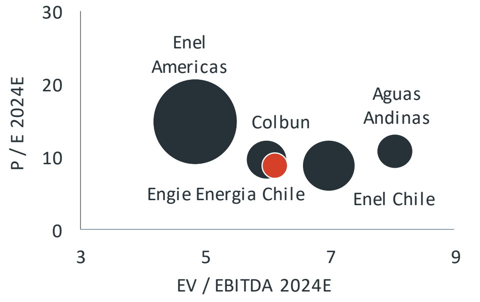
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

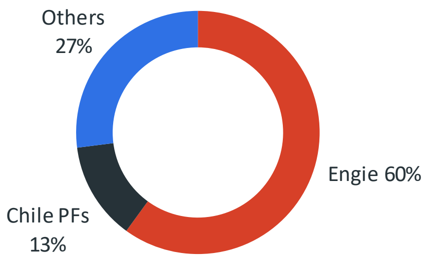


Engie Chile

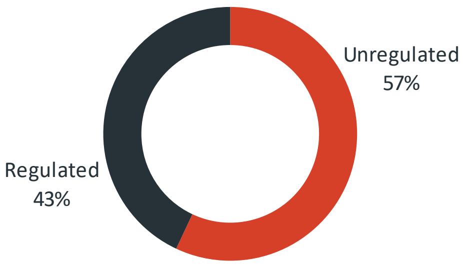
Company Description

Engie Energia Chile (EECL) is the fourth largest power generator in Chile with 2.5 GW gross installed capacity. The company is engaged in transitioning out of coal and is developing a 2 GW renewable portfolio. EECL is also a relevant player in transmission with 2,409 km of tx lines, 25 substations and a 50% share in TEN, a 600 km-long tx line, which was a key project to connect the northern and central-south power grids in Chile.

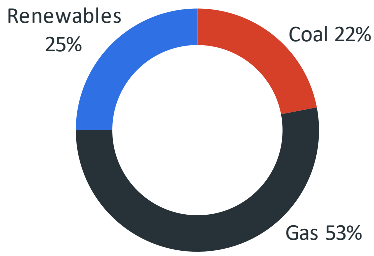
Ownership Structure



Breakdown of Demand LTM



Breakdown of Generation LTM



Management

CEO: Rosaline Corinthien
CFO: Eduardo Milligan
IRO: Marcela Muñoz
www.engie-energia.cl

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	1.479	1.920	2.204	1.929	1.870
EBITDA	316	182	419	493	528
EBIT	131	-7	238	286	294
Net Income	47	-389	87	118	122
EPS (CLP)	38	-314	74	100	103
EBITDA Margin	21,4%	9,5%	19,0%	25,6%	28,2%
EBIT Margin	8,8%	-0,4%	10,8%	14,8%	15,7%
Net Margin	3,2%	-20,2%	4,0%	6,1%	6,5%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	230	147	386	292	128
Fixed Assets	2.746	2.577	2.954	3.340	3.590
Total Assets	3.999	4.328	4.816	4.907	4.994
Other Liabilities	769	739	739	739	739
Financial Debt	1.058	1.776	2.176	2.176	2.176
Total Liabilities	1.827	2.514	2.914	2.914	2.914
Minority Interest	0	0	0	0	0
Shareholders Equity	2.172	1.814	1.901	1.993	2.080
Total Liabilities + Equity	3.999	4.328	4.816	4.907	4.994
Net Debt /EBITDA	2,6	8,9	4,3	3,8	3,9
Financial Debt /EBITDA	3,3	9,7	5,2	4,4	4,1
Financial Debt /Equity	0,5	1,0	1,1	1,1	1,0
ROAE	2,2%	-19,5%	4,7%	6,0%	6,0%
ROAA	1,2%	-9,3%	1,9%	2,4%	2,5%
ROIC	3,5%	-0,2%	5,0%	5,6%	5,5%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**257**	**230**	**147**	**386**	**292**
Cash Flow From Operation:	132	-429	399	517	347
CAPEX	-209	-394	-558	-593	-485
Changes in Financial Debt	163	718	400	0	0
Dividends (Paid) Received	-93	0	0	-26	-35
Other CFI & CFF Items	-20	22	-2	8	9
Changes in Equity	0	0	0	0	0
Final Cash	**230**	**147**	**386**	**292**	**128**
Change in Cash Position	**-27**	**-83**	**239**	**-94**	**-164**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Engie Peru

Equity Research Peru
Utilities

Rating: Buy
TP: PEN 6.02

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

Capitalizing on renewables for long-term growth

Investment Thesis

We are updating our target price to PEN 6.02/sh and changing our recommendation for Engie Peru's shares to BUY, as we think fundamentals are solid and valuations look attractive compared to its historicals.

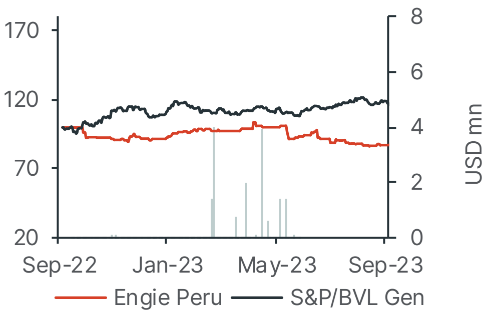
The company remains focused on long-term growth through its investment in renewable energy, which has been realized with its Punta Lomitas wind project (260 MW), which commenced commercial operations in Jun-23, along with its extension (36.4 MW). This increased production has been particularly positive for 2023 as it has reduced the net exposure to the spot market, which has faced materially high prices influenced by weaker hydrology and the consequent need for the system to dispatch less efficient plants. Additionally, it has helped compensate for the company's lower hydro production due to the inoperability of the Quitaracsa plant. Overall, we expect EBITDA to grow by 21% y/y in 2023, 3% higher than our previous estimate, and 6% y/y in 2024.

Furthermore, we think it is positive that the company has already received the concession for the Hanaqpampa solar plant (300 MW), in line with its renewable plan. However, we believe that the progress of renewable projects will depend on the ability of the company to lock in PPAs and the S/D dynamics of the electricity market. Despite its high reserve margins, the need to dispatch less efficient plants in a more stressed system highlights the need for a more efficient power generation mix in which renewable energy sources could have an increased share. In this regard, we believe the company has the financial strength to continue with increased investments in this area (ND/EBITDA: 2.4x).

Stock Data

Ticker	engiec1 pe
Price (PEN)	4.72
Target (PEN)	6.02
Total Return	31.4%
LTM Range	4.66 - 5.60
M. Cap (USD mn)	767
Shares Outs. (mn)	601
Free Float	38%
ADTV (USD mn)	0.1

Price Chart (PEN) and Volumes (USD mn)



Valuation

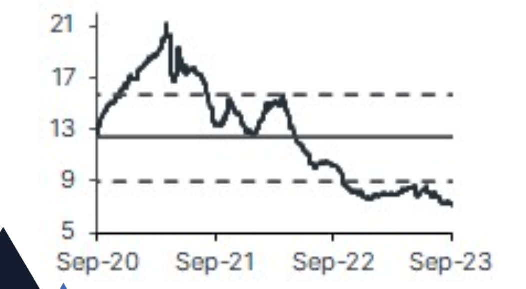
We value the company using a DCF approach, resulting in a target price of PEN 6.02 per share and an EV/EBITDA 24 of 5.3x (WACC: 9.5%). Currently, the company is trading at a EV/EBITDA 12m forward discount of ~25%, compared to its historical average over the past five years, - 19% vs its 3 year average and -15% vs its 2 year average. Additionally, our long-term average price is USD 40 per MWh, considering current market conditions.

Valuation Summary

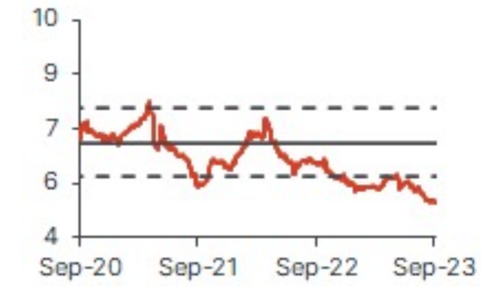
	2022	2023E	2024E	2025E
EV/EBITDA	6.7	5.3	5.0	4.8
P/E	12.0	7.8	7.8	7.0
P/CF	-6.6	22.2	3.9	4.6
P/BV	0.7	0.6	0.6	0.5
Div. Yield	4.4%	4.1%	3.8%	4.1%

Sources: Company Reports and Credicorp Capital

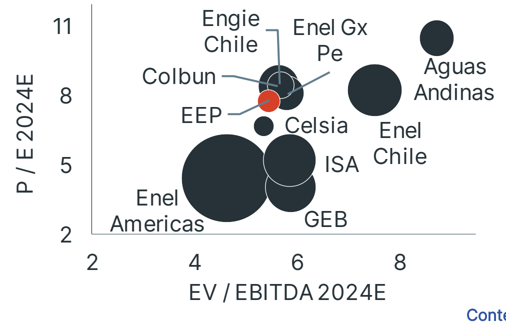
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

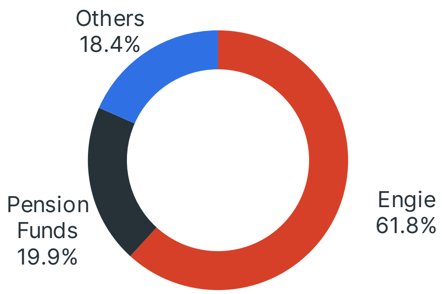


Engie Peru

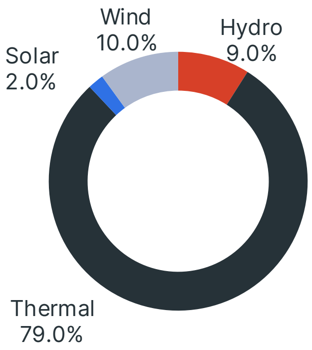
Company Description

Engie Energia Peru is one of the largest generation companies in Peru with thermal and hydro power plants, as well as renewables trough its Inti Pampa solar power and Punta Lomitas wind farm. The company has a balanced portfolio of regulated and non-regulated clients. The company has ~2.6 GW of installed capacity and 476 kms of transmission lines. Engie Energia Peru is controlled by Engie S.A.

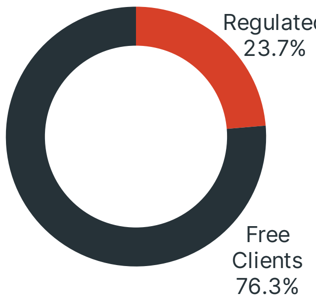
Ownership Structure



Installed Capacity (2023)



LTM Contract Sales Breakdown GWh



Management

CEO: El Mehdi Ben Maalla
CFO: Luciano Guffanti
IRO: Adriana Burneo
www.engie-energia.pe

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	532	555	708	676	685
Gross Profit	161	125	159	176	189
EBITDA	226	194	236	252	262
Net Income	65	65	98	99	109
EPS (PEN)	0.11	0.1	0.2	0.2	0.2
Gross Margin	30.3%	22.5%	22.4%	26.1%	27.6%
EBITDA Margin	42.4%	35.0%	33.3%	37.2%	38.2%
Net Margin	12.2%	11.7%	13.8%	14.6%	15.9%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	194	81	60	236	340
Total Current Assets	377	372	370	499	604
Total Assets	2,253	2,391	2,424	2,511	2,577
Current Liabilities	307	225	180	132	133
Financial Debt	538	607	570	601	589
Total Liabilities	1,107	1,193	1,156	1,175	1,163
Minority Interest	0	0	0	0	0
Shareholders Equity	1,145	1,198	1,267	1,337	1,414
Total Liabilities + Equity	2,253	2,391	2,424	2,511	2,577
Net Debt /EBITDA	1.5	2.7	2.2	1.5	1.0
Financial Debt /EBITDA	2.4	3.1	2.4	2.4	2.2
Financial Debt /Equity	0.5	0.5	0.4	0.4	0.4
ROAE	5.6%	5.6%	8.0%	7.6%	7.9%
ROAA	2.9%	2.8%	4.1%	4.0%	4.3%
ROIC	5.1%	4.4%	5.9%	6.5%	7.3%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**100**	**194**	**81**	**60**	**236**
Cash Flow From Operation:	340	-31	131	208	216
CAPEX	-104	-198	-131	-48	-49
Changes in Financial Debt	42	69	-36	31	-13
Dividends (Paid) Received	-62	-34	-32	-30	-31
Other CFI & CFF Items	-122	82	48	13	-20
Changes in Equity	0	0	0	0	0
Final Cash	**194**	**81**	**60**	**236**	**340**
Change in Cash Position	**94**	**-113**	**-21**	**175**	**104**

Sources: Company Reports and Credicorp Capital

Entel

Rating: Hold
TP: CLP 3,600

Equity Research Chile
Telecom & I.T.

Marco Zúñiga - mzunigac@credicorpcapital.com

High CAPEX puts squeeze on cash flow for the coming years

Investment Thesis

We are revising our recommendation to HOLD and introducing a target price of CLP 3,600 per share. Additionally, we anticipate a dividend yield of approximately 11% over the next 12 months, resulting in an overall return of 24% for the shares. Our decision is influenced by several factors. Firstly, we have noted a deceleration in customer base expansion and a marginal decline in Average Revenue Per User (ARPU) in the Chilean market. This trend is typical of mature and increasingly competitive markets. Furthermore, in the Peruvian market, we are not optimistic about the macroeconomic conditions fostering a substantial upturn in mobile service sales. Additionally, the continued decrease in equipment sales will put further pressure on revenue in the upcoming quarters. Furthermore, we do not foresee a reduction in high Capital Expenditures (CAPEX) levels for the next three years.

We expect high capital expenditures to remain in the three years. This is primarily due to the ongoing deployment of the 5G network and infrastructure required to provide fixed services through fiber optic connections. This continued investment will strain cash flow generation, especially considering the company's reported Debt-to-EBITDA ratio of 3.5x. **However, the forthcoming divestment of the fiber optic segment is expected to maintain a high dividend yield for the stock.** We anticipate this transaction to conclude before year-end, generating a profit of approximately 169 billion CLP. Assuming a 50% payout ratio, we expect the company to distribute dividends of 376 CLP per share in the next twelve months. These funds, coupled with 112 billion CLP in receivable taxes, will enhance the company's overall financial position.

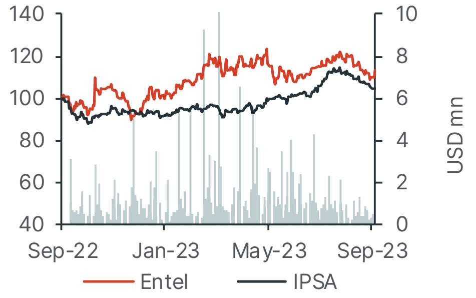
Valuation

We consider valuations to be reasonable for Entel. It is trading at 4.5x EV/EBITDA 2024E, which is at a discount of -10% compared to its Latin American peers. However, when adjusting the multiple for the high level of capital expenditure, valuations appear fair.

Stock Data

Ticker	entel ci
Price (CLP)	3,202
Target (CLP)	3,600
Total Return	24.2%
LTM Range	2,530 - 3,480
M. Cap (USD mn)	1,085
Shares Outs. (mn)	302
Free Float	45%
ADTV (USD mn)	1.1

Price Chart (CLP) and Volumes (USD mn)

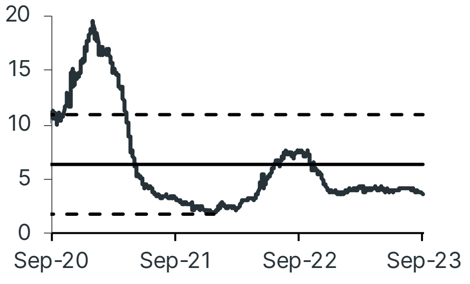


Valuation Summary

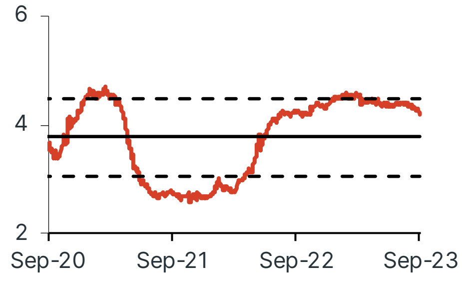
	2022	2023E	2024E	2025E
EV/EBITDA	2.1	5.0	4.5	4.3
P/E	1.9	3.3	9.9	7.5
P/CF	1.2	5.5	4.1	3.6
P/BV	0.6	0.4	0.4	0.4
Div. Yield	120%	2.9%	11.7%	3.9%

Sources: Company Reports and Credicorp Capital

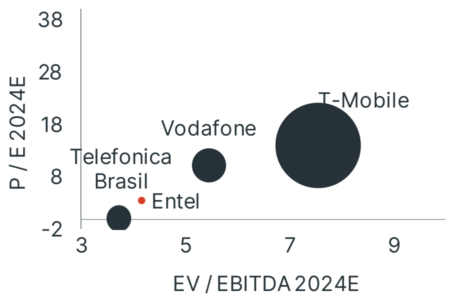
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

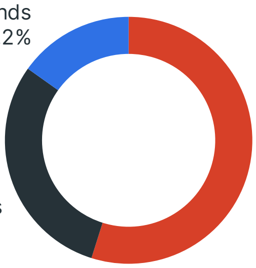


Entel

Company Description

Entel is a telecommunications company that operates in Chile and Peru and offers mobile and fixed services and IT services. Entel currently has roughly 9.2 million clients in Chile with a 31% mobile market share. In Peru, the company has more than 9.7 million mobile clients with a roughly 21% mobile market share. Entel is controlled by Almendral, which is formed by the Matte,Fernandez/Hurtado, Consorcio, Izquierdo and Gianoli groups.

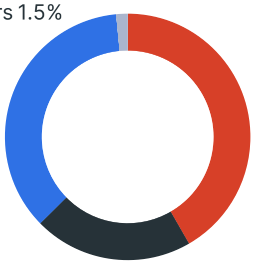
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	2,460,119	3,137,710	2,519,213	2,603,278	2,719,441
Gross Profit	565,093	1,055,121	487,336	533,599	577,151
EBITDA	772,453	1,292,014	708,327	775,113	814,588
Net Income	74,975	456,787	227,237	76,143	101,347
EPS (CLP)	248	1,931	961	322	428
Gross Margin	23.0%	33.6%	19.3%	20.5%	21.2%
EBITDA Margin	31.4%	41.2%	28.1%	29.8%	30.0%
Net Margin	3.0%	14.6%	9.0%	2.9%	3.7%

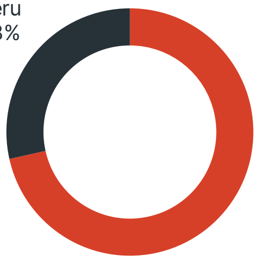
Revenue breakdown by concept (LTM2Q23)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	435,435	353,690	334,238	195,805	195,340
Total Current Assets	1,297,380	1,484,647	1,315,837	1,200,581	1,233,305
Total Assets	5,418,228	5,595,346	5,458,028	5,453,119	5,559,678
Current Liabilities	1,159,502	1,132,020	854,867	877,458	905,102
Financial Debt	2,132,368	2,220,938	1,977,140	1,934,880	1,927,373
Total Liabilities	3,915,183	4,040,831	3,704,715	3,737,282	3,780,565
Minority Interest	0	0	0	0	0
Shareholders Equity	1,503,045	1,554,516	1,753,313	1,715,837	1,779,113
Total Liabilities + Equity	5,418,228	5,595,346	5,458,028	5,453,119	5,559,678
Net Debt /EBITDA	2.2	1.4	2.3	2.2	2.1
Financial Debt /EBITDA	2.8	1.7	2.8	2.5	2.4
Financial Debt /Equity	1.4	1.4	1.1	1.1	1.1
ROAE	5.0%	29.9%	13.7%	4.4%	5.8%
ROAA	1.5%	8.3%	4.1%	1.4%	1.8%
ROIC	6.2%	19.4%	7.3%	5.0%	5.7%

EBITDA breakdown by business LTM2Q23



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	591,771	435,435	353,690	334,238	195,805
Cash Flow From Operation:	432,875	901,215	917,544	665,992	706,714
CAPEX	-305,004	-596,642	-541,320	-526,646	-533,139
Changes in Financial Debt	253,180	88,570	-243,797	-42,260	-7,508
Dividends (Paid) Received	-337,308	-1,062,403	-28,440	-113,618	-38,071
Other CFI & CFF Items	-200,080	587,514	-123,439	-121,900	-128,462
Changes in Equity	0	0	0	0	0
Final Cash	435,435	353,690	334,238	195,805	195,340
Change in Cash Position	-156,336	-81,745	-19,452	-138,432	-466

Sources: Company Reports and Credicorp Capital

Management

CEO:Antonio Büchi
CFO: Marcelo Bermúdez
IRO: Paula Raventos
www.entel.cl

Empresas Publicas de Medellín

Fixed Income Research Colombia
Utilities

Baa3 / NR / BBB-
Outlook: n / nr / wn

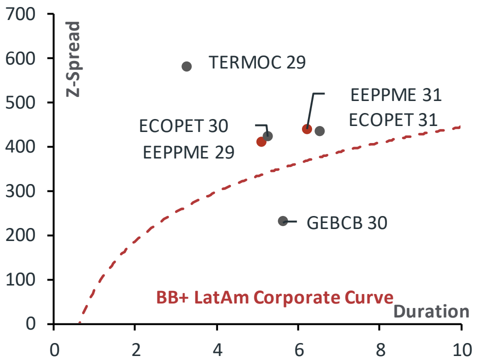
Sandra Loyola - sloyola@credicorpcapital.com

Fundamental resilience in the long run

Investment Thesis

EPM bonds have long been pricing in increased volatility due to uncertainty surrounding multiple factors like regulatory risk, Hidroituango and headline risk in Colombia to name a few. Despite this, the company has been able to leverage on periods of good financial performance to build a healthy balance sheet and good liquidity. Moreover, the bonds exhibit good yields around 8% and net leverage under control (2.5x). Going forward, we do see potential short-term volatility arising from climate disruptions as El Niño takes shape and intensifies in the summer of 2023-2024. Having said this, the company has the means to meet any working capital needs as spot prices surge, and it is already preparing for the season. Hydro generation might take a hit, but we have observed fundamental resilience in EPM, and we expect this to continue in the long run. We are maintaining a Neutral stance on valuation grounds but will continue to look for attractive entry points.

EPM Bonds and comparables



Credit Data

REG-S Notes
Outstanding Senior Notes
Closest Call Date
Closest Maturity Date

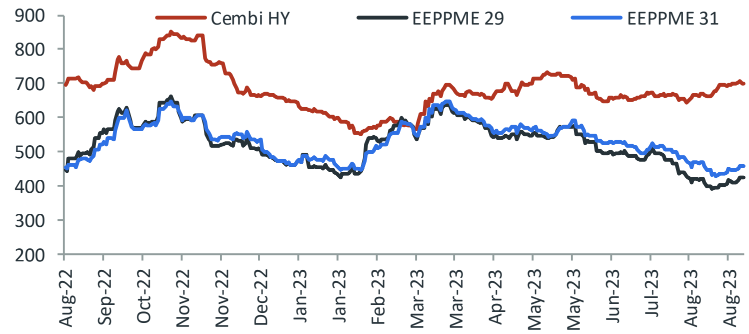
Concerns

- Ambitious capex plan in the upcoming years could generate pressure on cash flows
- Remaining construction risks around the Ituango Project
- Exposure to social risks through political intervention

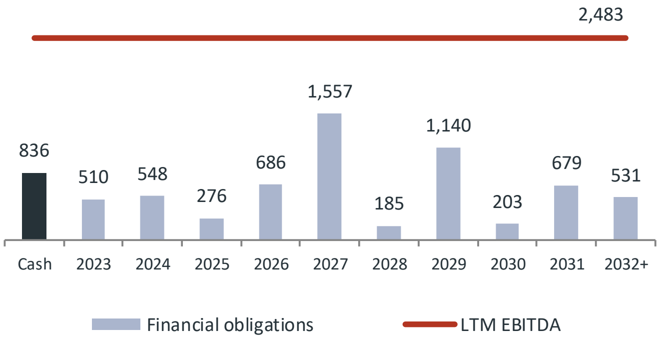
Strengths

- High cash generation
- Geographical and business diversification
- Implicit support of the Municipalidad de Medellin

Z- Spread evolution



Debt Maturity Profile



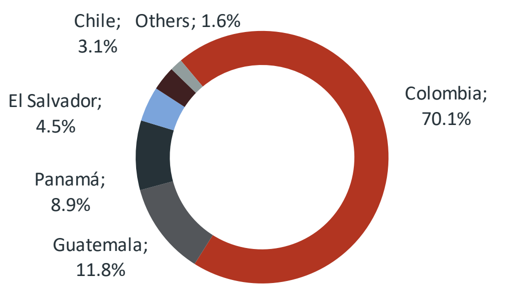
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
EEPPME 29	USD 1,000mn	4.25%	BB+	409.4	5.1	81.9	0.4%	8.2%	Neutral
EEPPME 31	USD 575mn	4.38%	BB+	438.7	6.2	77.9	0.5%	8.4%	Neutral

EPM

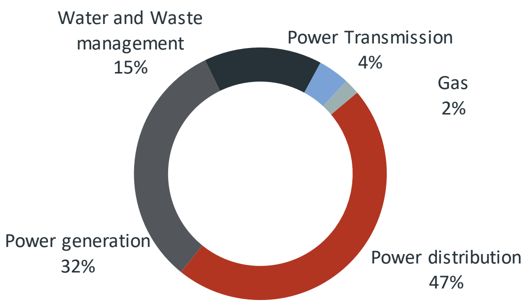
Company Description

EPM is a utility company focused on the generation, transmission and distribution of energy, as well as water and waste management services. The Municipality of Medellin holds 100% of the company's shares.

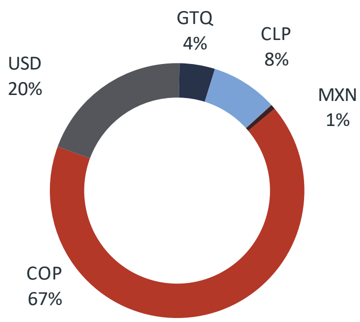
Revenues Breakdown by Geography



LTM EBITDA Breakdown by Segment



Debt Breakdown by Currency



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	4.7x	4.5x	5.2x	4.3x	4.0x
Gross Debt / EBITDA	3.4x	4.3x	3.5x	3.0x	2.8x
Net Debt / EBITDA	3.2x	3.6x	2.9x	2.6x	2.4x
Net Debt / Equity	0.8x	0.8x	0.8x	0.8x	0.8x
ST Debt / Gross Debt	14%	16%	12%	12%	12%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	4,395	4,739	6,046	7,713	8,120
Gross Profit	1,628	1,506	2,039	2,761	2,940
EBIT	1,190	989	1,367	1,905	2,024
Financial Expenses	309	303	343	547	626
EBITDA	1,439	1,379	1,775	2,336	2,483
Gross Margin	37%	32%	34%	36%	36%
EBITDA Margin	33%	29%	29%	30%	31%
Net Margin	17%	19%	13%	13%	13%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	409	981	979	988	836
Current Liabilities	1,822	2,934	3,522	3,592	3,345
Total Assets	13,142	15,267	16,224	18,091	17,988
Current Liabilities	1,847	2,261	2,337	2,892	3,050
Total Liabilities	7,354	8,773	9,342	10,674	10,744
Equity	5,788	6,494	6,882	7,417	7,244
Net Debt	4,535	4,905	5,189	6,071	6,083
Gross Debt	4,944	5,886	6,168	7,059	6,919
Short Term Debt	714	934	747	860	857
Long Term Debt	4,230	4,952	5,420	6,199	6,062
ROAE	13%	14%	11%	13%	15%
ROAA	6%	6%	5%	5%	6%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	832	1,192	1,024	1,136	1,234
Investing Activities	-443	-1,004	-408	-570	-1,147
Financing Activities	-350	448	-589	-445	-507

Sources: Company Reports and Credicorp Capital

Falabella

Rating: Buy
TP: CLP 2,700

Equity Research Chile
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

A leap of faith

Investment Thesis

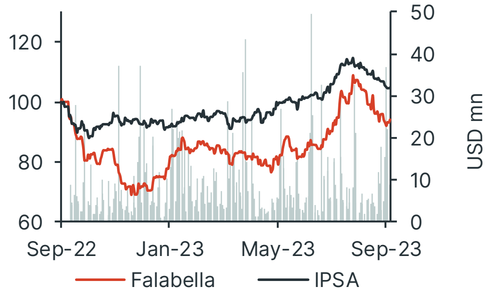
We are introducing a Buy recommendation alongside our YE2024 TP of CLP 2,700. While earnings in 2023 are expected to remain subdued, there has been a significant increase in leverage, giving rise to concerns about the potential risk of losing the IG rating. However, we believe that the company has reached a bottom point. Confronting challenging situations involving bond and equity holders could serve as a pivotal driver for motivating the management and board to embark on transformative initiatives. The positive aspect is that we are already witnessing encouraging signs that point towards the initiation of constructive changes. We are referring to the decision to integrate Fpay into Banco Falabella's app and the relaunch of the on-demand delivery app Fazil under the name of the Tottus app, which works exclusively for supermarket deliveries. Additionally, there is knowledge of ongoing internal discussions that could potentially lead to more radical changes, such as divesting some real estate assets or significantly altering the digital ecosystem strategy. Certainly, the decisions made so far are focused on rationalizing operations to better monetize capex investments, which serves as a starting point. Unfortunately, the competition and macro context pose significant challenges. The ongoing efforts to improve efficiency are not expected to make a substantial impact until at least 1Q24. Nevertheless, the market is likely to anticipate the pivotal juncture in earnings. We hold the belief that the company will persist in issuing announcements that align with the correct trajectory – essentially focused on recapturing market share and enhancing the profitability of investments.

All in, we believe Falabella will be able to divest assets and maintain its IG rating, but 2024 will be more of a transition year for earnings. In fact, we are forecasting a ~3% sales growth and an EBITDA margin of 10.2% for 2024, still far away from the historical average of ~12%.

Stock Data

Ticker	falab ci
Price (CLP)	2,070
Target (CLP)	2,700
Total Return	30.8%
LTM Range	1,518 - 2,395
M. Cap (USD mn)	5,826
Shares Outs. (mn)	2,509
Free Float	45%
ADTV (USD mn)	8.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

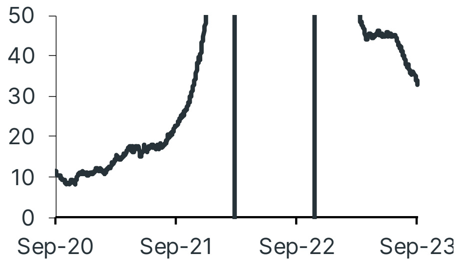
Our TP is based 50/50 on a 10y DCF model and a SOTP multiple valuation. For Home, we applied an EV/EBITDA of 12x; for D. Stores, we used 8x; for Food, we used 6x; for the financial business, we applied a P/loans of 0.5x. We include IKEA and Mexico with a DCF, and we are pricing the 3P marketplace with a 1.5x EV/GMV. At what multiple the company should trade is a big mystery because even though marketplaces trade above 30x P/E, the market has already priced in a view that Falabella will not become MELI. Other successful stories in retail that were able to compete with the disruption of e-commerce trade in the 15x-20x range.

Valuation Summary

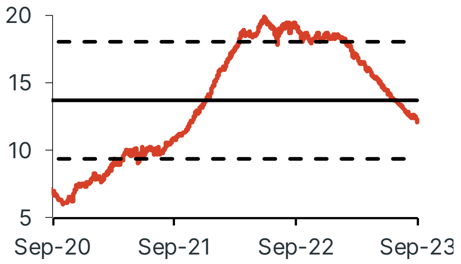
	2022	2023E	2024E	2025E
EV/EBITDA	10.6	12.9	8.4	7.1
P/E	46.1	85.8	18.1	11.4
P/CF	25.4	8.8	6.8	4.5
P/BV	0.8	0.9	0.8	0.8
Div. Yield	6.2%	3.6%	0.3%	1.7%

Sources: Company Reports and Credicorp Capital

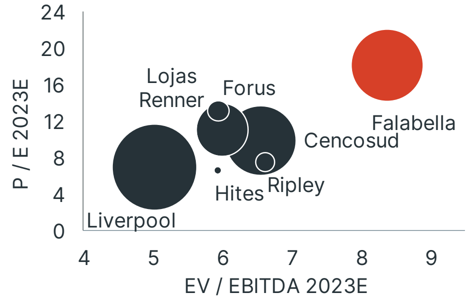
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

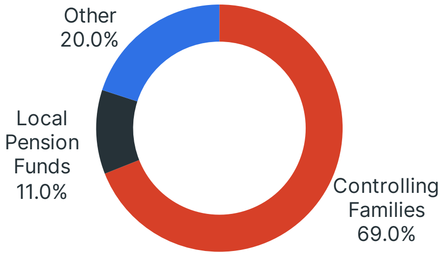


Falabella

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.

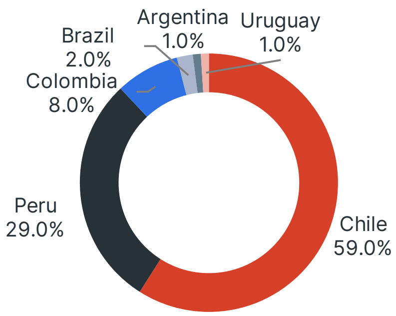
Ownership Structure



Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Revenues	11,469	12,265	11,301	11,652	12,382
Gross Profit	4,103	3,949	3,568	3,956	4,391
EBITDA	1,584	940	769	1,189	1,399
Net Income	652	90	61	287	457
EPS (CLP)	260	36	24	114	182
Gross Margin	35.8%	32.2%	31.6%	33.9%	35.5%
EBITDA Margin	13.8%	7.7%	6.8%	10.2%	11.3%
Net Margin	5.7%	0.7%	0.5%	2.5%	3.7%

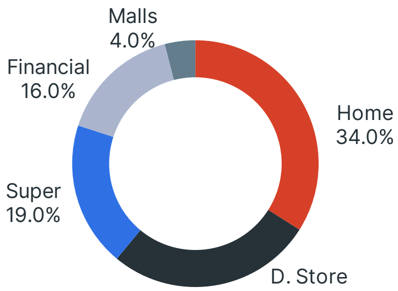
Revenue breakdown by country (LTM)



Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	579	737	526	557	478
Total Current Assets	3,072	3,444	2,914	3,063	2,685
Total Assets	21,433	22,545	22,548	22,821	22,929
Current Liabilities	2,448	2,659	1,677	1,828	1,729
Financial Debt	4,727	5,826	5,765	5,328	4,550
Total Liabilities	14,788	16,044	15,408	15,399	15,130
Minority Interest	994	992	1,078	1,091	1,097
Shareholders Equity	5,651	5,509	6,062	6,331	6,702
Total Liabilities + Equity	21,433	22,545	22,548	22,821	22,929
Net Debt /EBITDA	2.6	5.4	6.8	4.0	2.9
Financial Debt /EBITDA	3.0	6.2	7.5	4.5	3.3
Financial Debt /Equity	0.8	1.1	1.0	0.8	0.7
ROAE	12.2%	1.6%	1.0%	4.6%	7.0%
ROAA	3.2%	0.4%	0.3%	1.3%	2.0%
ROIC	8.5%	9.7%	2.3%	4.3%	5.5%

Revenue breakdown by business (LTM)



Cash Flow Statement

CLP bn	2021	2022	2023E	2024E	2025E
Initial Cash	1,257	579	737	526	557
Cash Flow From Operations	14	4	632	768	1,073
CAPEX	-439	-480	-315	-246	-243
Changes in Financial Debt	33	1,099	-60	-437	-778
Dividends (Paid) Received	-93	-256	-188	-18	-86
Other CFI & CFF Items	-193	-209	-280	-36	-45
Changes in Equity	0	0	0	0	0
Final Cash	579	737	526	557	478
Change in Cash Position	-679	158	-211	31	-79

Sources: Company Reports and Credicorp Capital

Management

CEO: Gaston Botazzini
CFO: Alejandro Gonzalez
IRO: Raimundo Monge
www.falabella.cl

CredicorpCapital

Falabella

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

Fixed Income Research Chile
Retail

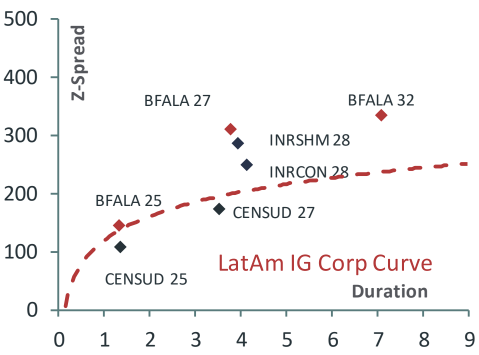
Josefina Valdivia - jvaldivia@credicorpcapital.com

Radical changes are crucial to safeguard the IG status

Investment Thesis

Falabella has been giving some positive signs, rationalizing operations, and focusing on improving efficiency. However, the ongoing efforts will take some time to translate into better margins while the macroeconomic environment has not been supporting. Meanwhile, leverage continues to deteriorate (Net leverage at 8.6x), raising the question regarding rating agencies' willingness to wait for the expected inflection point. In this line, we believe the company will have to announce radical changes (assets sales and revisions to the strategy) in the coming months to avoid a downgrade to HY. Looking at bonds, trading almost 140bps to Cencosud, we believe they have already fully incorporated a downgrade, but we continue to see selling pressure. We will turn positive if the spread differential reaches levels above 160bps as we feel confident with the company's commitment to its IG rating and thus, we expect asset sales on the ST.

Falabella Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,259MM
Closest Call Date	27-10-2024
Closest Maturity Date	27-01-2025

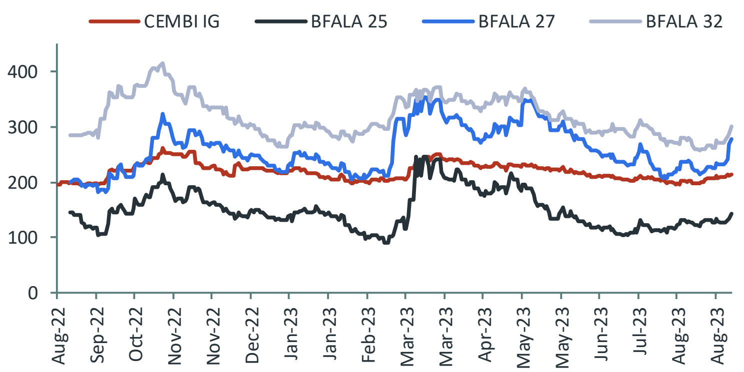
Concerns

- Intense competitive enviroment
- High capex requirements in IT & logistics
- High leverage level threatening the company IG status
- Consumption deceleration
- Margins under pressure due to inflation, promotional activity and logistics costs

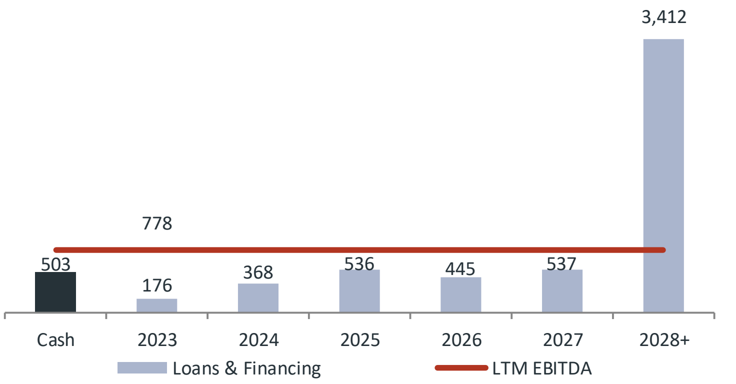
Strengths

- Leading position in Home Improvement and financial business
- Growth opportunities in e-commerce
- Geographic and business diversification

Z- Spread evolution



Debt Maturity Profile (excludes Bank)



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BFALA 25	USD 209mn	4.38%	NR / BBB- / BBB-	145	1.3	97.0	0.4%	6.7%	Neutral
BFALA 27	USD 400mn	3.75%	NR / BBB- / BBB-	309	3.8	87.2	0.4%	7.4%	Neutral
BFALA 32	USD 650mn	3.38%	NR / BBB- / BBB-	333	7.1	75.4	0.4%	7.4%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

Fenix Power

Fixed Income Research Peru
Utilities

Sandra Loyola - sloyola@credicorpcapital.com

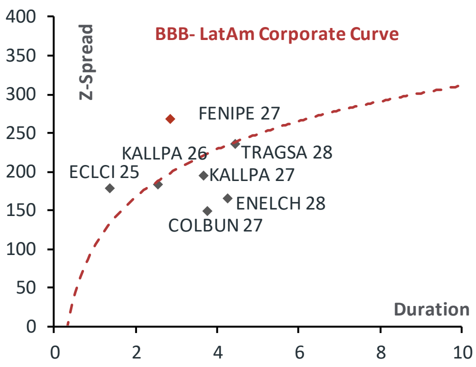
NR / BBB- / BBB-
Outlook: nr / s / s

Margins to remain pressured in 2023, improving story thereafter

Investment Thesis

Fenix has been carrying out major maintenance at its thermoelectric plant that resulted in abnormally low generation from 2Q23 to date. Results for the second quarter will most probably turn out to be lackluster on lower dispatch and heavier spot purchases at relatively high spot prices. Also, the company has been advancing in its recontracting efforts and has temporarily secured contracts exceeding its own capacity, thus turning into a net purchaser in the spot market. This position might take a toll on margins this year, but it is a strategic move considering that a relevant part of Fenix's contracts expire by the end of the year. All in, Fenix will most probably deliver shaky 2023 results, but long-term fundamentals remain resilient as the company has strong support from Colbún, the bond will continue to amortize and plans to expand in renewables over the medium-term are still in the pipeline. We are maintaining our Neutral stance on Fenix.

Fenix Power Bonds and comparables



Credit Data

REG-S Notes
Outstanding Senior Notes
Closest Call Date
Closest Maturity Date

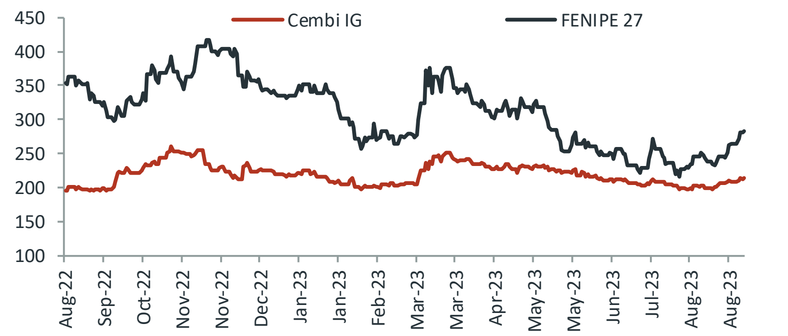
Concerns

- Inverted hydrology risk (100% thermo)
- Relevant exposure to the spot price volatility given its net purchaser position in the spot market
- Recontracting risk

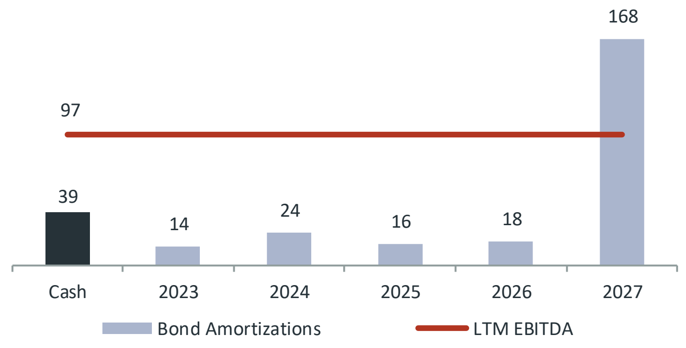
Strengths

- Strong support from shareholders
- Efficient and well-located asset
- Outlook for growth in renewables

Z- Spread evolution



Debt Maturity Profile



	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
FENIPE 27	USD 240mn	4.32%	BBB-	267.0	2.9	93.1	0.4%	6.8%	Neutral

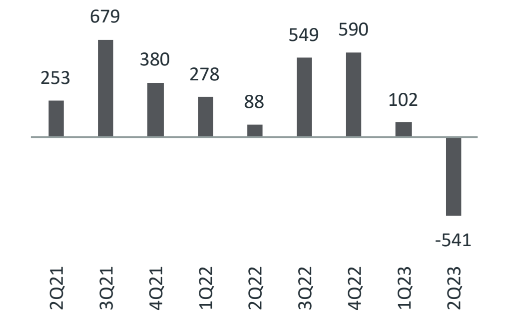
Contents

Fenix Power

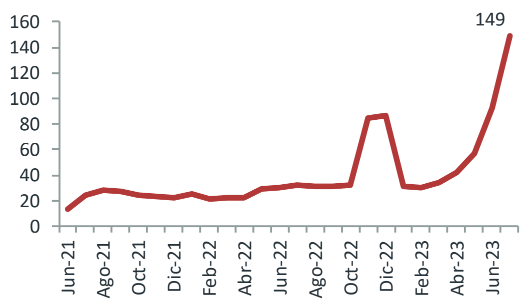
Company Description

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. It is owned by Colbún with a 57.5% stake, followed by ADIA with a 42.5% stake.

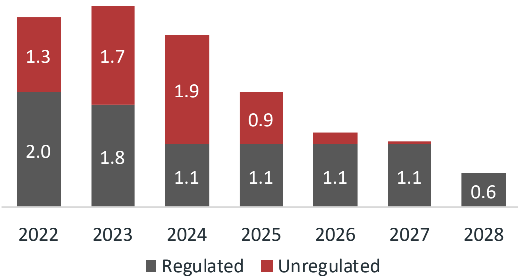
Net Selling Position Spot Market (GWh)



System's Average Spot Price ($/MW)



Contracted Capacity (TWh)



Credit Metrics

	2019	2020	2021	2022	LTM 1Q23
Interest Coverage	2.5x	-4.4x	2.6x	4.0x	4.1x
Gross Debt / EBITDA	6.9x	-3.9x	6.4x	4.1x	4.1x
Net Debt / EBITDA	6.5x	-3.7x	6.0x	3.6x	3.7x
Net Debt / Equity	1.1x	1.7x	1.6x	1.3x	1.3x
ST Debt / Gross Debt	6%	13%	15%	16%	15%

Income Statement

USD MN	2019	2020	2021	2022	LTM 1Q23
Net Revenues	175	159	172	253	257
Gross Profit	73	67	77	113	114
EBIT	21	-164	32	62	61
Financial Expenses	27	27	25	24	24
EBITDA	67	-117	67	97	97
Gross Margin	42%	42%	45%	45%	44%
EBITDA Margin	38%	-73%	39%	39%	38%
Net Margin	-1%	-94%	-6%	12%	8%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM 1Q23
Cash	24	31	28	50	39
Current Liabilities	70	74	65	103	82
Total Assets	921	757	705	719	696
Current Liabilities	70	91	86	113	95
Total Liabilities	516	502	459	444	412
Equity	405	256	245	275	284
Net Debt	435	429	402	346	356
Gross Debt	459	460	430	395	395
Short Term Debt	29	60	63	65	60
Long Term Debt	431	400	366	331	317
ROAE	0%	-59%	-4%	11%	8%
ROAA	0%	-20%	-1%	4%	3%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM 1Q23
Operational Activities	56	64	66	96	92
Investing Activities	-14	-30	-12	-18	-18
Financing Activities	-42	-25	-56	-57	-57

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Ferreycorp

Equity Research Peru
Materials

Rating: Hold
TP: PEN 2.73

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

Closing our BUY recommendation on the name

Investment Thesis

We are introducing our 2024E target price of PEN 2.73/share for Ferreycorp and closing our BUY recommendation on the name. Since we made the BUY recommendation (in May-20), the stock has increased by ~89%, outperforming the index, which increased by ~52% in the same period. While we continue to like Ferreycorp's operational outlook, attractive dividends and cash generation, we are changing our recommendation to HOLD based on: i) relatively rich valuations compared to its history and ii) profit-taking.

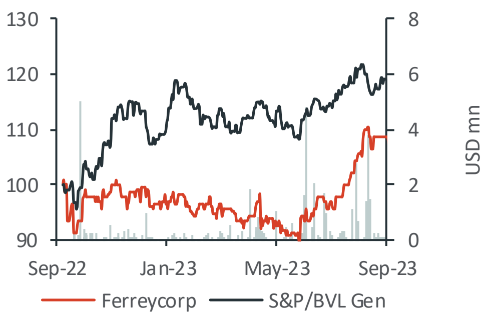
Valuations seem rich compared to historical levels (which accounts for the last three years). The EV/EBITDA for 2024E is at 4.8x, which is above the average of 4.2x in the period. That said, we believe valuations seem fair, and the equity story does not seem as compelling as it used to considering the recent rally of the stock.

We highlight that we continue to like Ferreycorp's operational outlook, attractive dividend yield and cash generation. Additionally, we believe the buyback program will continue to give support to the name. That said, we believe the stock could have a more lateral behavior in the short term. Based on current market prices, we see a 11.4% upside. We believe it will be it challenging for the name to further outperform the index in the short term. Thus, we are taking profit.

Stock Data

Ticker	ferreyc1 pe
Price (PEN)	2.45
Target (PEN)	2.73
Total Return	21.9%
LTM Range	2.05 - 2.54
M. Cap (USD mn)	627
Shares Outs. (mn)	946
Free Float	96%
ADTV (USD mn)	0.2

Price Chart (PEN) and Volumes (USD mn)



Valuation

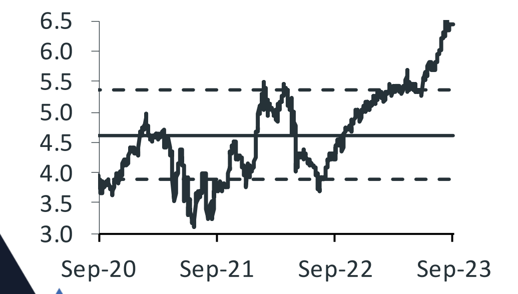
Valuations seem rich on a historical basis but cheap when compared to peers. We are valuing Ferreycorp with a DDM and a 10-year DCF model, which includes the following assumptions: long-term growth of 2.0%, a WACC of 10.1% and a tax rate of 29.5%. We are forecasting an EV/EBITDA multiple for 2024 of 4.8x and a P/E multiple of 6.3x for the same period. We highlight that valuations seem rich on a historical basis; however, we see an attractive valuation in relation to peers. The EV/EBITDA multiple for 2024 is below the average of peers in the Americas (7.5x) and Europe (8.9x).

Valuation Summary

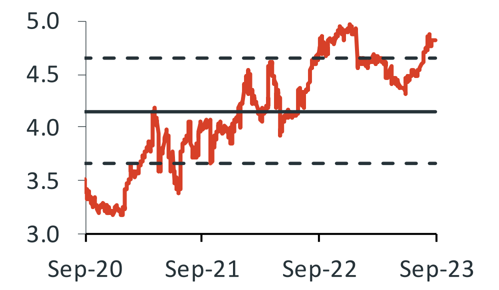
	2022	2023E	2024E	2025E
EV/EBITDA	4.7	4.7	4.8	4.7
P/E	5.0	5.7	6.3	6.1
P/CF	8.4	2.2	4.2	4.7
P/BV	0.8	0.9	0.8	0.8
Div. Yield	11.7%	10.8%	10.5%	9.5%

Sources: Company Reports and Credicorp Capital

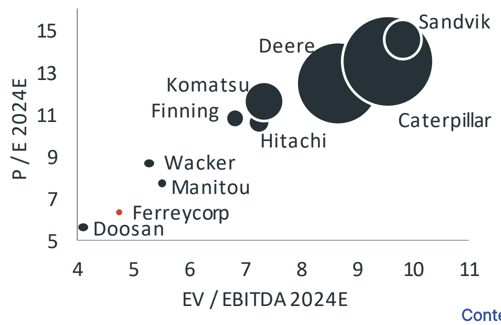
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



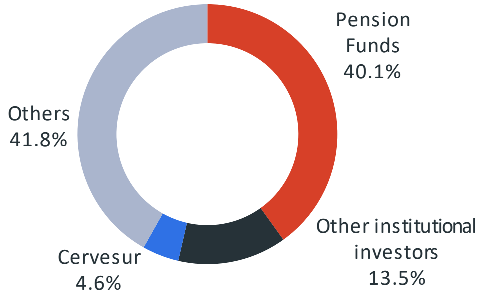
Contents

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.

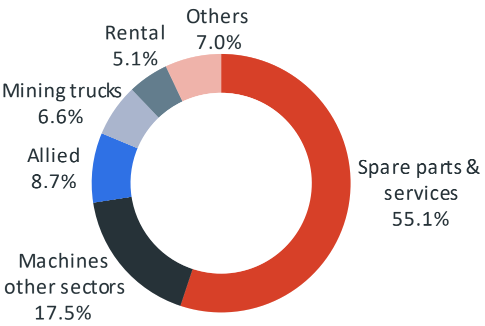
Ownership Structure



Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	6,090	6,578	6,551	6,589	6,746
Gross Profit	1,643	1,693	1,672	1,666	1,706
EBITDA	991	866	825	815	832
Net Income	376	419	405	368	380
EPS (PEN)	0.4	0.4	0.4	0.4	0.4
Gross Margin	27.0%	25.7%	25.5%	25.3%	25.3%
EBITDA Margin	16.3%	13.2%	12.6%	12.4%	12.3%
Net Margin	6.2%	6.4%	6.2%	5.6%	5.6%

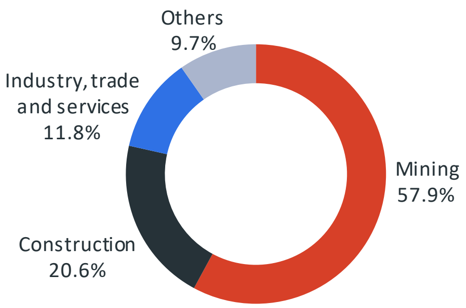
Revenues by business line (2023E)



Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	216	192	201	205	209
Total Current Assets	3,566	3,955	3,619	3,760	3,979
Total Assets	5,987	6,249	5,904	5,999	6,176
Current Liabilities	2,212	2,530	2,266	2,261	2,261
Financial Debt	1,888	2,160	1,682	1,624	1,610
Total Liabilities	3,645	3,760	3,293	3,263	3,280
Minority Interest	0	0	0	0	0
Shareholders Equity	2,342	2,488	2,611	2,736	2,895
Total Liabilities + Equity	5,987	6,249	5,904	5,999	6,176
Net Debt /EBITDA	1.7	2.3	1.8	1.7	1.7
Financial Debt /EBITDA	1.9	2.5	2.0	2.0	1.9
Financial Debt /Equity	0.8	0.9	0.6	0.6	0.6
ROAE	16.7%	17.3%	15.9%	13.8%	13.5%
ROAA	6.5%	6.8%	6.7%	6.2%	6.2%
ROIC	13.9%	10.2%	9.5%	9.8%	9.8%

Revenues by economic sector (2Q23)



Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**256**	**216**	**192**	**201**	**205**
Cash Flow From Operations	198	57	974	460	396
CAPEX	-85	-137	-123	-155	-158
Changes in Financial Debt	176	272	-478	-58	-14
Dividends (Paid) Received	-186	-246	-251	-243	-221
Other CFI & CFF Items	-131	32	-104	0	0
Changes in Equity	-12	-1	-8	0	0
Final Cash	**216**	**192**	**201**	**205**	**209**
Change in Cash Position	**-40**	**-24**	**9**	**4**	**3**

Sources: Company Reports and Credicorp Capital

Management

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

CredicorpCapital

Forus

Rating: Hold
TP: CLP 2,000

Equity Research Chile
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Keeping up the good job; but valuations seems relatively tighter

Investment Thesis

We are changing our recommendation to Hold and updating our 2024E TP to CLP 2,000, suggesting a ~30% upside from current levels, in addition to an expected 4.4% dividend yield for 2024E. While we hold a positive view on Forus's overall performance and anticipate that it will continue to outshine its peers in operational results over the next few quarters, we believe that its shares have a more limited upside compared to industry counterparts. Additionally, liquidity remains an issue for the stock.

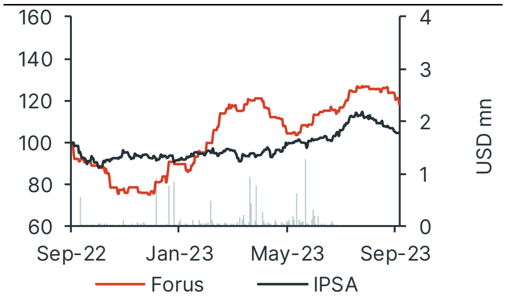
Forus is unquestionably a company worth monitoring closely. Forus has posted substantial improvements in its financial performance in recent years, attributed to the inclusion of well-established brands like Vans and Under Armour, along with cost-efficiency measures like closing unprofitable stores and automating DCs. Notably, our projections do not account for the potential addition of more brands in the future. However, the company has expressed its commitment to expanding its brand portfolio, a move we view as beneficial due to the potential to further spread fixed costs across a broader scale. Consequently, there may be upward adjustments to our figures upon any new brand announcements.

With its cost structure now reconfigured, Forus is prepared to embark on organic growth again. This year we have seen active efforts to enhance in-store experiences as a means of boosting traffic, which has proven effective in increasing profitability per sqm. Moreover, discussions have revolved around expanding the number of stores and reconversions in specific locations. Given Forus' emphasis on profitability, we are confident in its ability to pursue growth while maintaining attractive margins. Despite our optimism, **valuations appear relatively tighter compared to peers, with a modest 5% discount at the EV/EBITDA level.**

Stock Data

Ticker	forus ci
Price (CLP)	1,540
Target (CLP)	2,000
Total Return	34.2%
LTM Range	980 - 1,653
M. Cap (USD mn)	447
Shares Outs. (mn)	258
Free Float	32%
ADTV (USD mn)	0.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

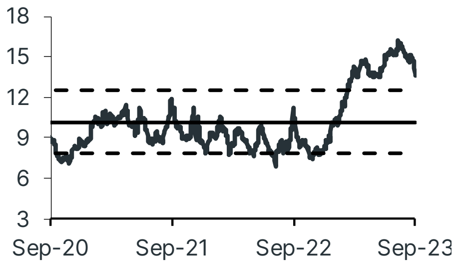
Our TP is based on a 50/50 valuation based on a ten-year DCF model (WACC: 12.4%; Ke: 13.2%) and a SOTP valuation, with a 10.0x EV/EBITDA multiple. We are revising our LT assumptions, with an EBITDA margin of ~19.1%, while sales and EBITDA are growing both at ~5% CAGRs for the 2023-2026 period.

Valuation Summary

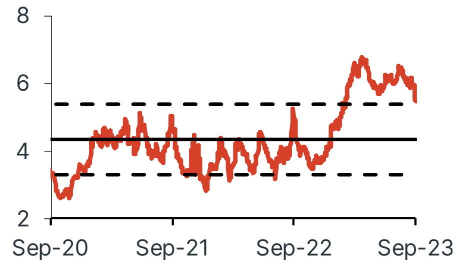
	2022	2023E	2024E	2025E
EV/EBITDA	4.9	6.3	6.0	5.6
P/E	9.7	13.8	13.1	12.4
P/CF	nm	5.0	17.0	7.9
P/BV	1.6	1.8	1.6	1.6
Div. Yield	8.8%	4.0%	4.4%	6.9%

Sources: Company Reports and Credicorp Capital

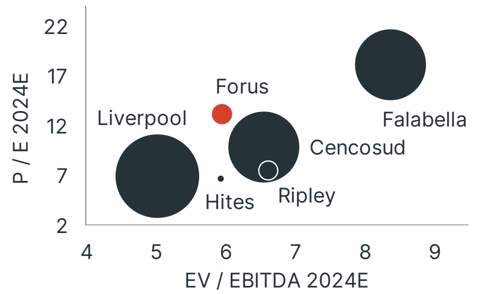
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

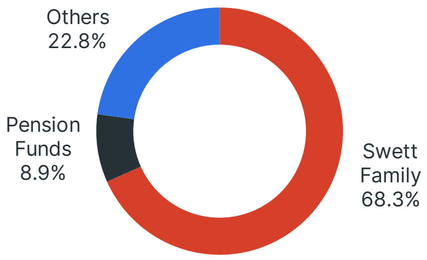


Forus

Company Description

Forus is a Chilean retailer and wholesaler, specializing in apparel & footwear categories. The company operates a portfolio of 27 own and international well-recognized brands including CAT, Hush Puppies, Columbia, Merrell, Rockford, Vans, Under Armour, among others. It was founded in 1980 and it currently has 391 stores and 47 e-commerce websites across Chile, Peru, Colombia and Uruguay. Consolidated LTM sales reach ~USD 371 mn.

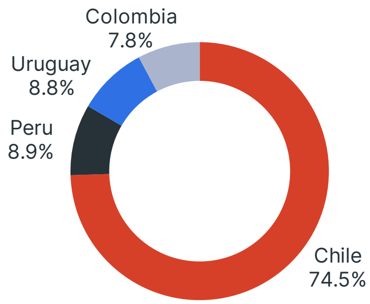
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	294,690	315,055	331,541	348,292	367,127
Gross Profit	163,084	171,412	180,839	191,017	201,172
EBITDA	71,597	62,158	62,768	66,396	70,212
Net Income	39,350	31,543	28,896	30,346	32,130
EPS (CLP)	152	122	112	117	124
Gross Margin	55.3%	54.4%	54.5%	54.8%	54.8%
EBITDA Margin	24.3%	19.7%	18.9%	19.1%	19.1%
Net Margin	13.4%	10.0%	8.7%	8.7%	8.8%

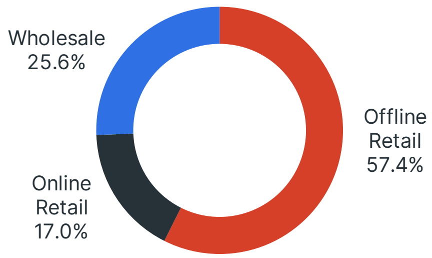
Revenue breakdown by country (LTM)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	110,663	53,606	117,956	141,034	162,906
Total Current Assets	180,673	191,928	220,056	260,865	280,399
Total Assets	272,857	287,621	318,498	348,431	357,055
Current Liabilities	64,460	59,401	59,269	58,856	62,652
Financial Debt	27,878	48,572	57,660	59,897	61,055
Total Liabilities	79,662	90,898	98,183	97,771	101,567
Minority Interest	722	1	409	409	419
Shareholders Equity	192,473	196,722	219,905	250,251	255,069
Total Liabilities + Equity	272,857	287,621	318,498	348,431	357,055
Net Debt /EBITDA	-1.2	-0.1	-1.0	-1.2	-1.5
Financial Debt /EBITDA	0.4	0.8	0.9	0.9	0.9
Financial Debt /Equity	0.1	0.2	0.3	0.2	0.2
ROAE	18.5%	16.2%	13.9%	12.9%	12.7%
ROAA	13.8%	11.3%	9.5%	9.1%	9.1%
ROIC	28.5%	18.6%	16.6%	19.2%	20.6%

Revenue breakdown by business (LTM)



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	110,879	110,663	53,606	117,956	141,034
Cash Flow From Operations	97,304	-41,420	70,129	32,917	61,374
CAPEX	-10,354	-9,213	-9,562	-12,075	-13,359
Changes in Financial Debt	-10,478	20,694	9,088	2,236	1,158
Dividends (Paid) Received	-75,542	-26,868	-15,771	-17,338	-27,311
Other CFI & CFF Items	-1,146	-250	10,467	17,338	10
Changes in Equity	0	0	0	0	0
Final Cash	110,663	53,606	117,956	141,034	162,906
Change in Cash Position	-216	-57,057	64,350	23,078	21,872

Sources: Company Reports and Credicorp Capital

Management

CEO: Sebastían Swett
CFO: Francisco del Rio
IRO: Isabel Darrigrandi
www.forus.cl

CredicorpCapital

GNB Sudameris

Fixed Income Research Colombia
Banks

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

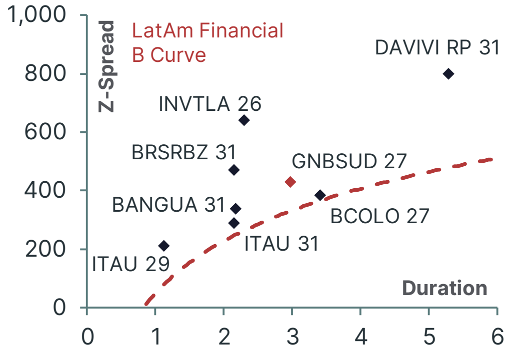
Cynthia Huaccha - chuaccha@credicorpcapital.com

The task of boosting solvency remains incomplete

Investment Thesis

One of the most relevant challenges for the bank has been increasing its core capitalization levels and carrying out liability management operations to replace its old subordinated debt, which is ceasing to compute, squeezing the total solvency in relative terms. Although the bank is now free from having an explicit obligation to distribute a minimum of 50% of dividends to the holding company (something that was in the GILEX bond's prospectus), this does not mean that the dividend policy has been modified, so we believe that there are still challenges to face on this front. We expect portfolio quality, coverage and profitability metrics to continue to be under pressure during the year, just like the rest of the banking sector. We do not see any upside at a fundamental level and believe that there are options with similar structures behind bonds with lower risk and similar profitability, so we prefer to stay on the sidelines.

GNB Sudameris Bonds and comparables



Credit Data	
REG-S Notes	2
Outstanding Senior Notes	USD 700MM
Closest Call Date	16-Apr-26
Closest Maturity Date	03-Apr-27

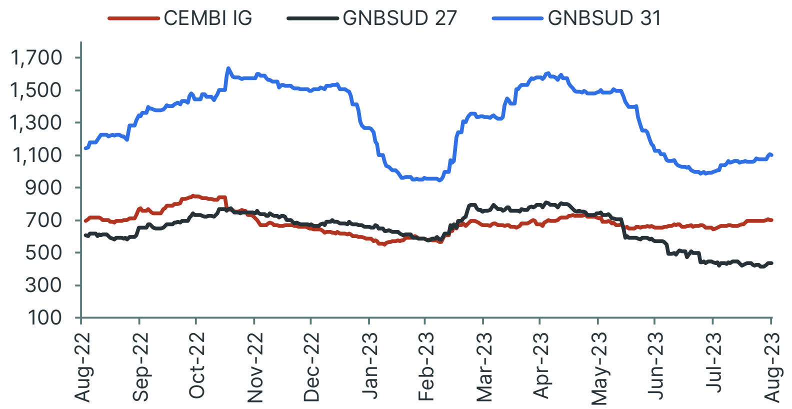
Concerns

- Low core solvency
- Relatively less receptivity in the capital market
- LM needs in terms of Tier 2 capital component

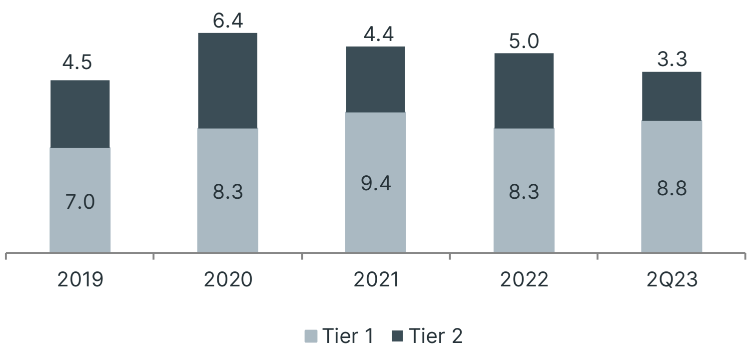
Strengths

- Most relevant asset for its economic group
- Significant level of liquid assets
- Lower asset quality metrics

Z- Spread evolution



Solvency



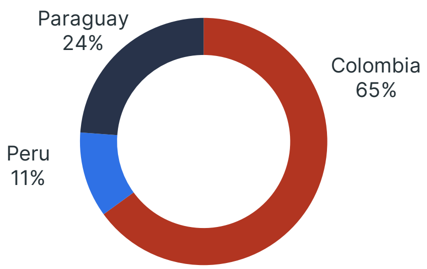
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
GNBSUD 27	USD 300mn	7.05%	B1 / NR / B+	429	3.0	95.1	0.6%	8.7%	Underweight
GNBSUD 31	USD 400mn	7.50%	B2 / NR / B+	1,095	2.1	83.2	0.8%	15.6%	Underweight

GNB Sudameris

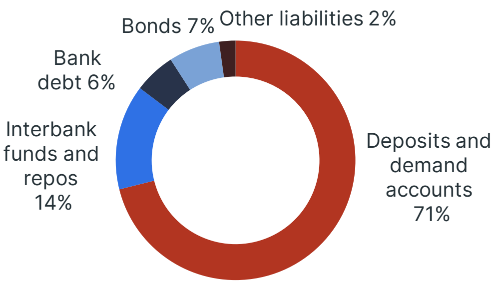
Company Description

GNB Sudameris is a regional bank, based in Colombia, with a strong focus on payroll loans and proprietary trading. It is a small bank in Colombia, but it compensates for this by having a coservative risk managment.

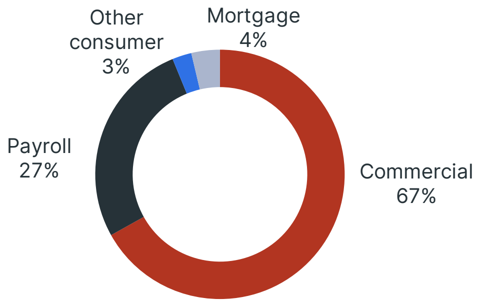
Assets



Funding Sources



Loans



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
NPL / Total Loans	2.1%	1.9%	1.9%	2.1%	2.4%
Allowances / NPL	151.7%	193.0%	175.3%	169.0%	150.0%
NIM	2.7%	2.8%	2.8%	1.4%	2.2%
Efficiency	50.3%	50.7%	55.7%	57.6%	57.2%
Tier I Ratio	7.0%	8.3%	9.4%	8.3%	8.8%
Tier 2 Ratio	6.6%	5.8%	9.6%	9.2%	7.8%
BIS Ratio	13.6%	14.0%	18.9%	17.5%	16.6%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Interest Income	455	443	475	672	1,002
Interest Expenses (-)	-304	-273	-254	-544	-777
Net Interest Margin	151	170	221	128	226
Provision Loan Losses (-)	-79	-98	-104	-104	-104
Net Fee Income	36	34	48	52	47
Operating Expenses (-)	0	0	0	0	0
Net Income	64	44	59	69	71
Net Interest Margin (%)	33.3%	38.4%	46.6%	19.0%	22.5%
Net Income Margin (%)	42.4%	26.0%	26.8%	53.7%	31.3%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	2,889	3,074	4,160	3,781	3,314
Investments	1,703	2,301	2,560	2,642	2,128
Gross Loans	3,989	3,860	5,435	6,356	6,292
Allowances (-)	125	145	176	226	260
Total Assets	8,955	9,710	12,741	13,442	12,452
Deposits	5,574	6,439	8,331	8,583	8,198
Interbank Loans	560	578	425	743	649
Bonds	1,703	2,301	2,560	2,642	2,128
Equity	555	590	838	923	921
ROAE	6.5%	5.8%	5.7%	5.6%	5.1%
ROAA	0.4%	0.4%	0.4%	0.4%	0.4%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Grupo Argos

Rating: Hold
TP: COP 11,600

Equity Research Colombia
Conglomerates

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

We would rather wait...

Investment Thesis

We are introducing our 2024E target price of COP 11,600/share for Grupo Argos and reiterating our HOLD recommendation. We have a neutral to positive view on Grupo Argos's fundamentals supported by its controlling stake in Cementos Argos (BUY; TP: COP 6,200/share) and the constitution of an investment vehicle with MacQuarie for roads and airports. We believe the transaction of Argos US could be an indirect catalyst for the name; however, we note that the Colombia market has not reacted to NAV discounts in recent months.

The investment vehicle with MacQuarie creates greater firepower for future opportunities in roads and airports. Indeed, we believe its 50% stake in the investment vehicle for road infrastructure should be a value generator. In the medium term, we believe that it could be an attractive bet in the infrastructure sector considering that the company has announced its intention to become a pure infrastructure player and expand its portfolio outside Colombia.

Upcoming year of transition. We believe next year will be a year of transition as the Nutresa and Cemargos transactions are incorporated. We prefer to wait until the transactions are more advanced to have more visibility on their impact for Gurpo Argos and be more constructive on the name. Indeed, we would like to see the evolution of the company's dividends paid and received, considering that Grupo Argos will no longer have investments in Nutresa and the fact that Cemargos could change its dividend policy (as Cemargos will no longer control investments in the US and there could be changes with the new alliance with MacQuarie). Finally, we would also like to see how the cash needs from Grupo Sura could affect the dividends paid by Grupo Argos.

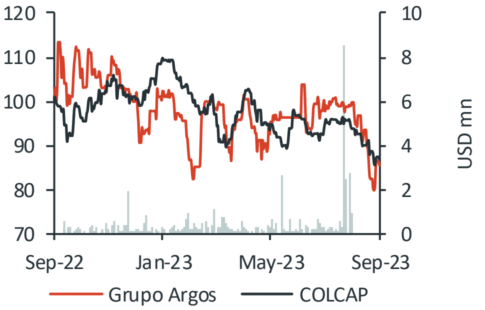
Valuation

Our target price is based on a SOTP model, including strategic listed investments at a simple average between their market price and our target price. We factor in Pactia and the land at 0.7x P/BV. In the case of Odinsa roads and airports, we value the assets at BV. We are incorporating in the valuation an estimate of the participation Grupo Argos will have in Grupo Sura (45.1%), the reduction in ordinary shares and the cash disbursement the company will make after the transaction of Nutresa is closed.

Stock Data

Ticker	grupoargos cb
Price (COP)	8,300
Target (COP)	11,600
Total Return	47.6%
LTM Range	7,750 - 11,000
M. Cap (USD mn)	1,672
Shares Outs. (mn)	658
Free Float	55%
ADTV (USD mn)	0.3

Price Chart (COP) and Volumes (USD mn)

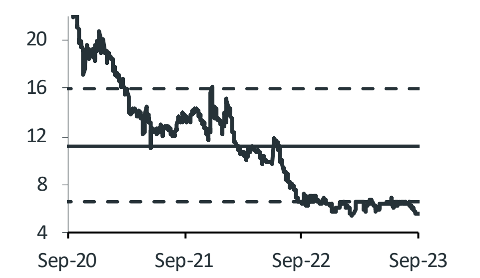


Valuation Summary

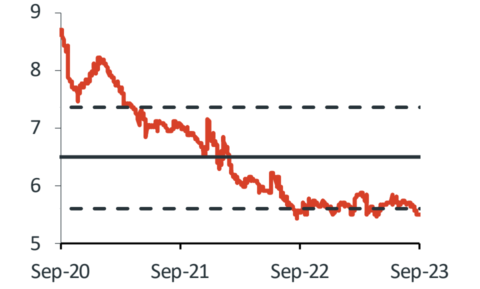
	2022	2023E	2024E	2025E
EV/EBITDA	4.7	5.1	5.6	5.5
P/E	8.6	5.3	5.1	4.9
P/CF	1.5	1.2	1.3	1.3
P/BV	0.4	0.3	0.3	0.3
Div. Yield	5.7%	7.5%	7.8%	8.1%

Sources: Company Reports and Credicorp Capital

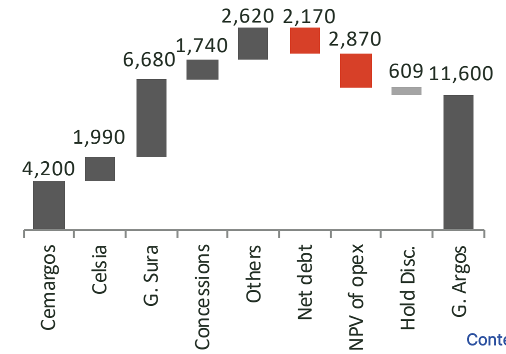
P/E 12M Forward



EV/EBITDA 12M Forward



2024E TP Breakdown

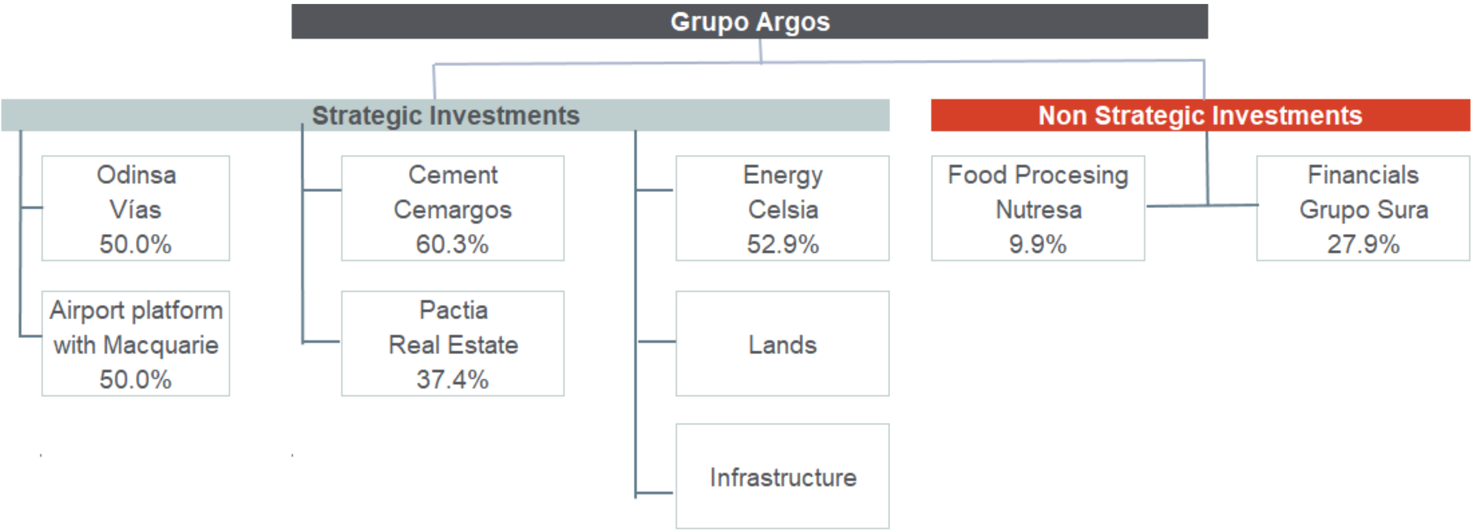


Contents

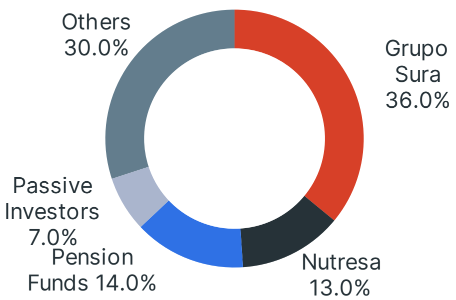
Grupo Argos

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 (Grupo Sura) and food & beverage industries. It is part of GEA cross holding structure. Note that in May-23, Nutresa informed that it reached an MoU whereby Grupo Argos would seize being a shareholder. Thus, we expect adjustments in the structure of non-strategic investments.



Ownership Structure (Jun-23)*



*Common shares

Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	16,309	21,340	21,760	20,027	19,882
EBITDA	4,336	5,220	5,699	5,245	5,315
Cement	2,147	2,148	2,286	2,212	2,242
Energy	1,300	1,726	1,959	1,807	1,795
Portfolio	353	443	681	1,095	1,144
Others	536	903	773	131	134
Net Income	590	881	1,344	1,385	1,455
Cement	213	73	125	146	148
Energy	162	126	126	137	158
Portfolio	232	246	544	975	1,018
EBITDA Margin	26.6%	24.5%	26.2%	26.2%	26.7%
Net Margin	3.6%	4.1%	6.2%	6.9%	7.3%

Management

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

Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Total Assets	52,589	56,941	51,648	51,987	51,628
Total Liabilities	23,783	24,911	21,183	20,085	18,176
Minority Interest	10,350	10,979	9,915	10,487	11,120
Shareholders Equity	18,456	21,051	20,551	21,415	22,332
Total Liabilities + Equity	52,589	56,941	51,648	51,987	51,628
ROAE	3.4%	4.5%	6.5%	6.6%	6.7%
ROAA	1.1%	1.6%	2.5%	2.7%	2.8%

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Grupo Aval

Rating: Uperf
TP: COP 600 (loc) / USD 2.7 (ADR)

Equity Research Colombia
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Grupo Aval is discounted, but it will continue to face short-term pressures in profitability

Investment Thesis

We are introducing our 2024E TP of COP 600/share (USD 2.7 ADR) and updating our recommendation to UPERF. We believe Grupo Aval will face short-term challenges driven by pressures in margins and a higher need for provision expenses. In fact, Grupo Aval updated its ROAE guidance for 2023 to a range of 6%-6.5%, well below the long-term target. We are incorporating a ROAE of 6.9% in 2023 and of 9.0% in 2024 as we believe that 2024 will be a transition year for the banks of Aval. We acknowledge that the stock looks discounted trading at 0.6x P/BV 2024E, but we do not see a clear catalyst until next year.

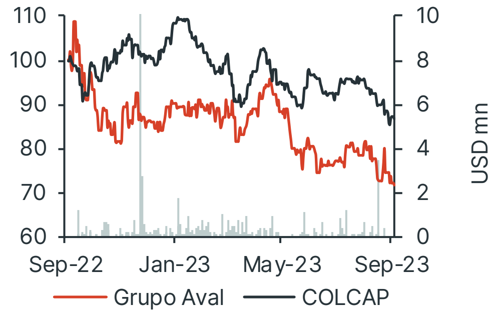
The more retail banks of Aval continue to face NIM pressures, while all of Aval's banks have an increased need for provisions. Banco Popular has accumulated three consecutive quarters with losses (local accounting), while Av Villas has accumulated two quarters with losses. Both banks have been impacted by a compression of the NIM, considering that consumer loans represent more than 60% of the total portfolio, and by higher provision expenses. Meanwhile, Bogotá and Occidente have been more resilient considering the exposure to commercial loans, though both institutions also increased their provision expenses. Grupo Aval increased its cost of risk guidance to 2.0% for 2023, while relief in margins should come with the decrease in interest rates by the end of the year.

The recent legal resolution with the SEC and the DOJ related to the RDS2 case might not have any other financial implications, but the company's image has deteriorated. Beyond the fine of COP 253 bn, the event has been referenced by President Gustavo Petro for political purposes, and it could add noise to the story of Grupo Aval in the short term.

Stock Data

Ticker	pfaval cb / aval us
Price (COP)	457 (loc) / 2.3 (ADR)
Target (COP)	600 (loc) / 2.7 (ADR)
Total Return	36.8%
LTM Range	457 - 693
M. Cap (USD mn)	2,734
Shares Outs. (mn)	23,743
Free Float	20%
ADTV (USD mn)	0.3

Price Chart (COP) and Volumes (USD mn)



Valuation

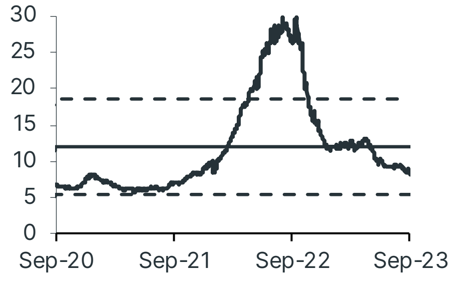
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 15.3% in COP and perpetuity growth of 5.0%. Our TP implies a 0.8x P/BV and a 9.4x P/E 2024E, while shares are currently trading at a 0.6x P/BV and a 7.1x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 13.1%.**

Valuation Summary

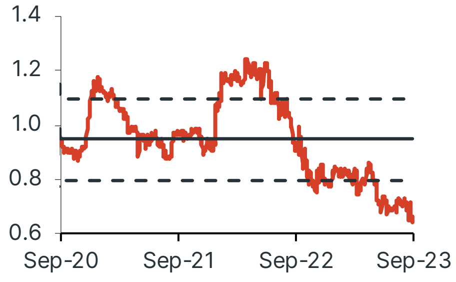
	2022	2023E	2024E	2025E
P/E	5.2	9.5	7.1	4.4
P/BV	0.8	0.7	0.6	0.6
ROAE	15.1%	6.9%	9.0%	13.5%
ROAA	0.8%	0.4%	0.5%	0.7%
Div. Yield	2.3%	7.1%	5.5%	8.2%

Sources: Company Reports and Credicorp Capital

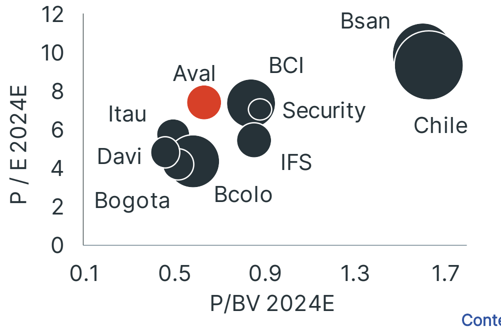
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

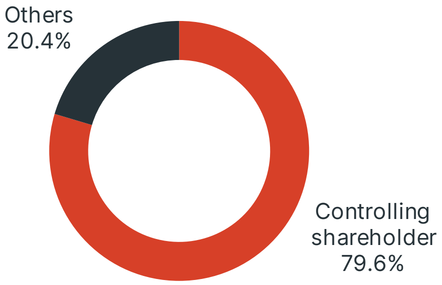


Grupo Aval

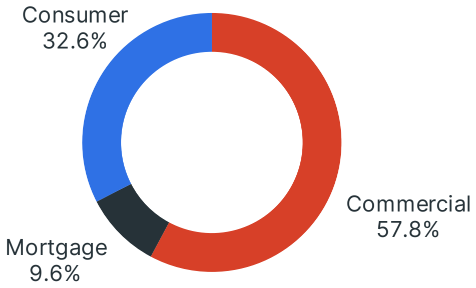
Company Description

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.

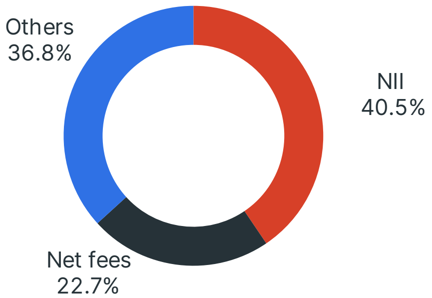
Ownership Structure



Loans by segment (2Q23)



Revenue breakdown (2Q23)



Management

CEO: Luis Carlos Sarmiento Gutiérrez

CFO: Diego Solano

HIR: Nicolás Noreña Trujillo

www.grupoaval.com

Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Net interest income	12,729	7,739	6,326	7,794	11,422
Net fee income	5,611	2,904	3,527	3,832	4,086
Operating income	23,949	16,177	16,555	18,147	22,347
Provision expenses	-4,035	-2,493	-3,712	-3,527	-3,535
Operating expenses	-11,394	-7,410	-8,368	-8,867	-9,541
Net income	3,298	2,483	1,142	1,520	2,449
EPS (COP)	148.0	110.3	48.1	64.0	103.1
Net margin	13.8%	15.3%	6.9%	8.4%	11.0%

Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	39,861	23,001	24,272	28,328	30,427
Investments	54,488	43,474	43,042	42,213	46,789
Gross loans	228,355	182,346	189,264	202,746	218,146
Total assets	366,904	295,591	303,714	320,002	344,897
Total deposits	234,470	173,341	185,298	199,209	214,261
Other funding	74,332	73,874	68,500	67,633	72,274
Total liabilities	327,432	264,770	272,419	286,420	307,558
Minority interest	16,458	14,355	14,792	16,158	18,359
Shareholder's equity	23,014	16,467	16,503	17,424	18,980
Total liabilities + Equity	366,904	295,591	303,714	320,002	344,897

Ratios

	2021	2022	2023E	2024E	2025E
NIM	5.03%	3.60%	2.92%	3.47%	4.75%
Fee ratio	23.4%	17.9%	21.3%	21.1%	18.3%
Cost-to-income ratio	-47.6%	-45.8%	-50.5%	-48.9%	-42.7%
NPL / loans	2.9%	3.3%	3.5%	3.2%	3.2%
LLP / loans	-4.9%	-5.0%	-5.1%	-5.0%	-5.0%
Cost of credit risk	-1.88%	-1.37%	-2.00%	-1.80%	-1.68%
LLP / NPL	-170%	-155%	-146%	-154%	-155%
LTD ratio	92.6%	99.9%	96.9%	96.7%	96.8%
Loan-to-funding ratio	70.3%	70.0%	70.8%	72.2%	72.4%
Leverage	15.8	18.0	18.2	18.4	18.3
ROAE	15.1%	15.1%	6.9%	9.0%	13.5%
ROAA	1.0%	0.8%	0.4%	0.5%	0.7%

Sources: Company Reports and Credicorp Capital

Grupo Aval

Fixed Income Research Colombia Banks

Cynthia Huaccha - chuaccha@credicorpcapital.com

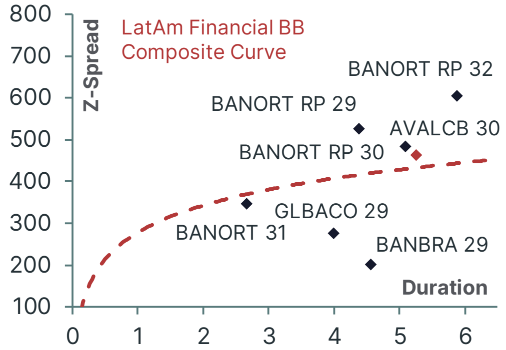
Ba2 / NR / BB+
Outlook: n / nr / s

Capitalization decisions will be key

Investment Thesis

The credit profile of the subsidiaries will remain relatively pressured given the economic cycle, impacting portfolio quality and profitability. Provision expenses are a relevant component given the recalibration of models to face the deterioration of customers' payment behavior. This could restrict in relative terms the availability of profits generated for the distribution of dividends. At the individual holding company level, the company has managed to maintain adequate coverage, sufficient cash to face short-term debt and a stable double leverage ratio. Regarding this last point, although Moody's has a negative outlook for the issuer as it is waiting for the ratio to fall back to the levels seen before the BAC spin-off (below 1.2x vs. levels in the range of 1.25x to 1.27x recently), there does not seem to be urgent pressure. The reduction strategies are being challenged by the lower profitability that will be realized towards the end of the year. The announcement of the amounts to be allocated for capitalization from a fixed income perspective will be key.

Grupo Aval Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 1,000MM
Closest Call Date	04-Nov-29
Closest Maturity Date	04-Feb-30

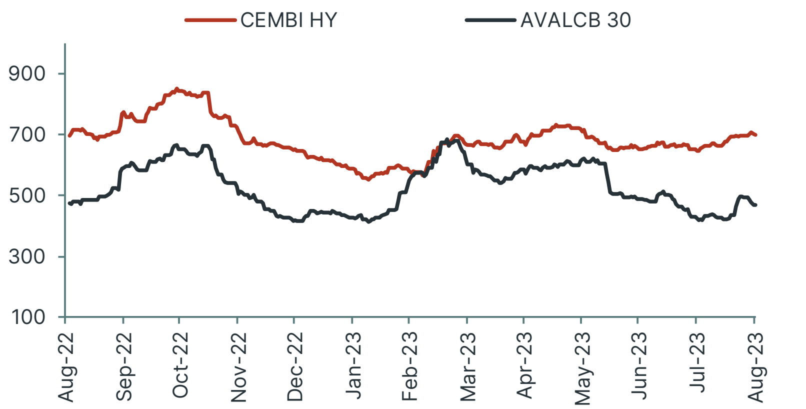
Concerns

- Structural subordination of debt with respect to its subsidiaries
- Restricted by dividend payments from subsidiaries
- Impact of Corficolombiana's performance on bonds

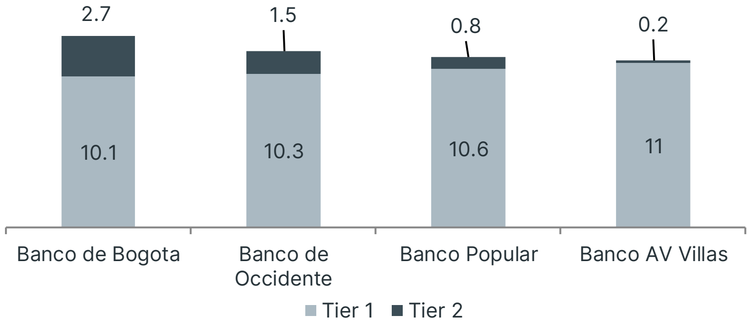
Strengths

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

Z- Spread evolution



Consolidated Capital Adequacy of Banks



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
AVALCB 30	USD 1,000mn	4.38%	Ba2 / NR / BB+	462	5.3	77.8	0.5%	9.0%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

GEB

Rating: Buy
TP: COP 2,400

Equity Research Colombia
Utilities

Steffania Mosquera - smosquera@credicorpcapital.com
Santiago Dorado - sdoradod@credicorpcapital.com

We continue to see an attractive entry point for GEB.

Investment Thesis

We are updating our valuation model for GEB while maintaining our Buy recommendation due to: i) its still attractive entry point, ii) the constant addition of new projects and iii) the fact that it has one of the most attractive dividend yields in the MSCI Colcap at ~15%. That said, we acknowledge that we see risks for the company on the regulatory front due to its generation segment in Colombia as ~50% of its EBITDA and dividends come from Colombia.

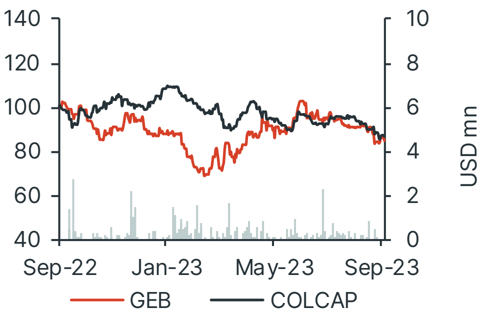
Risks on the regulatory front remain. The issue of energy spot prices has become increasingly heated in Colombia due to the threat of the El Niño phenomenon in the upcoming months and a tight liquidity position from energy merchandizers. Indeed, this discussion of heightened volatility in energy spot prices could set the grounds for adjustments to how energy spot prices are determined. This in turn could affect Enel, which accounts for 58% of our valuation.

Addition of new projects. We like the company's business portfolio and the growth potential in renewables (via its participation in Enel Colombia) and transmission (especially in Colombia and Brazil). The company has made important steps in this direction with the investments by Argo/Gebbras in five concessions in northeastern Brazil and the acquisition of Elecnorte in Colombia. Finally, we also highlight the advances in the licensing process for its Colectora project with only the environmental permits pending but receiving project-associated revenues since Dec-22.

Stock Data

Ticker	geb cb
Price (COP)	1,641
Target (COP)	2,400
Total Return	60.7%
LTM Range	1,335 - 1,986
M. Cap (USD mn)	3,778
Shares Outs. (mn)	9,181
Free Float	34%
ADTV (USD mn)	0.3

Price Chart (COP) and Volumes (USD mn)



Valuation

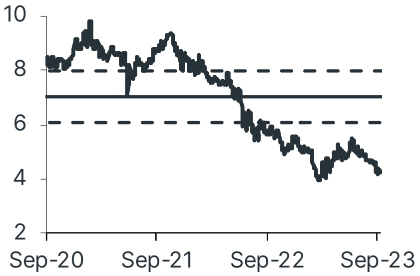
Valuations for GEB appear to be highly discounted with a 2024 P/E of 4.1x and a 2024 EV/EBITDA of 5.4x, which seems highly discounted compared to the three-year averages of 7.0x for P/E and 7.3x for EV/EBITDA. **Our valuation model for GEB is a DCF for GEB's consolidated EBITDA (which incorporates Electrodunas, Calidda, Contugas, TGI, Electnorte, Enlaza and Conecta) with a 10.15% WACC and a 3% g.** 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.

Valuation Summary

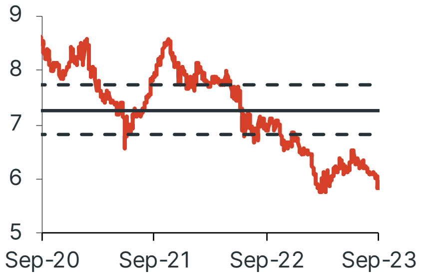
	2022	2023E	2024E	2025E
EV/EBITDA	7.2	5.9	5.4	5.3
P/E	5.4	4.8	4.1	4.0
P/CF	1.3	2.7	1.9	1.9
P/BV	0.8	0.8	0.8	0.8
Div. Yield	11.4%	13.3%	14.5%	17.2%

Sources: Company Reports and Credicorp Capital

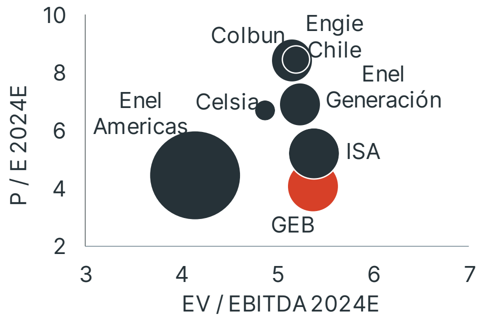
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

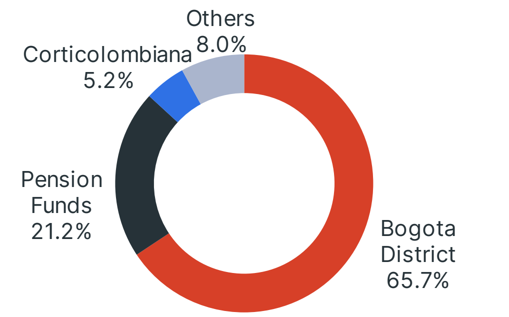


GEB

Company Description

GEB is one of the largest groups in LatinAmerica (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).

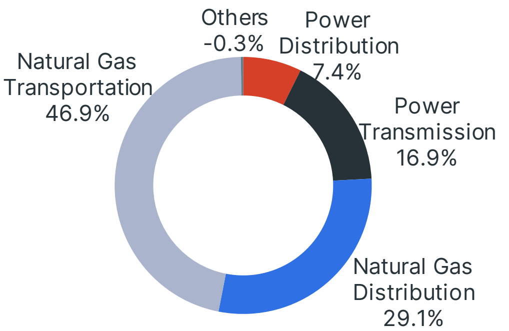
Ownership Structure



Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	5,559	6,875	8,084	8,961	9,516
Gross Profit	2,391	2,962	3,460	3,785	3,907
EBITDA	4,483	4,866	5,574	6,063	6,202
Net Income	2,526	2,853	3,113	3,694	3,787
EPS (COP)	275	311	339	402	412
Gross Margin	43.0%	43.1%	42.8%	42.2%	41.1%
EBITDA Margin	80.6%	70.8%	69.0%	67.7%	65.2%
Net Margin	45.4%	41.5%	38.5%	41.2%	39.8%

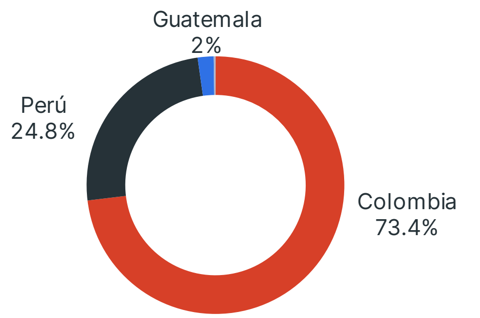
Controlled EBITDA by concept 2022



Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,692	1,478	1,625	1,836	2,028
Fixed Assets	13,631	17,013	15,974	15,902	15,748
Total Assets	34,809	46,745	46,024	47,880	49,377
Current Liabilities	874	1,075	2,702	3,994	5,044
Financial Debt	15,124	20,343	19,520	20,811	21,861
Total Liabilities	19,129	25,467	26,643	28,291	29,574
Minority Interest	571	775	683	891	1,105
Shareholders Equity	15,110	20,503	18,698	18,698	18,698
Total Liabilities + Equity	34,809	46,745	46,024	47,880	49,377
Net Debt /EBITDA	3.0	3.9	3.2	3.1	3.2
Financial Debt /EBITDA	3.4	4.2	3.5	3.4	3.5
Financial Debt /Equity	1.0	1.0	1.0	1.1	1.2
ROAE	17.2%	16.0%	15.9%	19.8%	20.3%
ROAA	7.7%	7.0%	6.7%	7.9%	7.8%
ROIC	5.5%	5.1%	5.6%	6.4%	6.4%

EBITDA by country 2022



Cash Flow Statement

COP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**851**	**1,692**	**1,478**	**1,625**	**1,836**
Operating Cash Flow	2,142	2,575	3,572	2,911	3,074
CAPEX	4,665	7,306	(77)	1,710	1,710
Changes in Debt	2,172	5,220	(824)	1,291	1,050
Dividends	(2,506)	(1,763)	(2,001)	(2,179)	(2,586)
Other CFI & CFF Items	(5,633)	(13,552)	(523)	(3,521)	(3,056)
Changes in Equity	-	-	-	-	-
Final Cash	**1,692**	**1,478**	**1,625**	**1,836**	**2,028**
Change in Cash Position	**840**	**-214**	**147**	**212**	**191**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Ricardo Ortega
CFO: Jorge Tabares
IRO: Karen Guzmán
www.grupoenergiabogota.com

CredicorpCapital

Grupo Security

Rating: Hold
TP: CLP 250

Equity Research Chile
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

The stock has some momentum, but we see better risk/return profiles in other banking assets

Investment Thesis

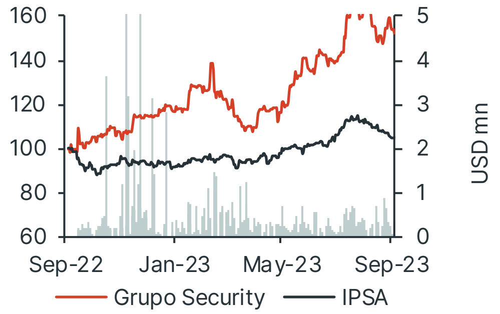
We are introducing our 2024E TP of USD 250/share and maintaining our HOLD recommendation. Grupo Security will report the best year in its history in 2023, supported by the strong performance of Banco Security. In 1H23, the company reported a ROAE of 21%, while the banking operation posted a robust profitability of 23%. As a result, the stock price has risen by ~80% in the L12M, closing the significant discount presented in 2022, leading to a trading multiple of 0.9x P/BV 2024E. Even though we see some upside in the stock, we believe the positive story of the company is already priced in, and we anticipate a normalization of financial results in 2024. In any case, given the strong results this year, we anticipate a solid dividend yield of 12.2% in 2024.

Banco Security should return to the 14%-15% ROAE range in 2024. The positive performance of the bank has come from a NIM expansion to figures above 4.0%, compared to margins close to 2.8% before the pandemic. The bank has benefited from the increase in inflation and the liquidity sources coming from the FCIC. Thus, while the yield on interest bearing assets has expanded by 475 bps since 2019, the cost of funding has grown 313 bps. With the decrease in interest rates, the normalization of inflation and the expiration of the FCIC in 1H24, the bank should start a normalization process of financial results. The FCIC amounts to CLP 1.2 tn, representing 13% of the total funding sources, meaning that with the expiration of this liquidity line the weight of the more expensive sources of funding such as term deposits and bonds will increase in the balance sheet and will impact margins. Therefore, we expect the NIM to go from 4.6% in 2023 to 3.6% in 2024, pushing the profitability from 22.2% down to 14.4%.

Stock Data

Ticker	secur ci
Price (CLP)	220
Target (CLP)	250
Total Return	25.9%
LTM Range	142 - 242
M. Cap (USD mn)	997
Shares Outs. (bn)	4.0
Free Float	28%
ADTV (USD mn)	0.4

Price Chart (CLP) and Volumes (USD mn)



Valuation

Our 2024E TP is based on a SOTP model. We use a residual income model for Banco Security (implicit valuation of 1.2x P/BV 2024E) and Vida Security (implicit valuation of 1.4x P/BV 2024E). For the remaining vehicles, we consider the equity values as of 2Q23. Shares are trading at 0.9x P/BV 2024E, compared to our implied valuation of 1.0x P/BV 2024E. **We are considering a 14.4% ROAE for the company in the long term.**

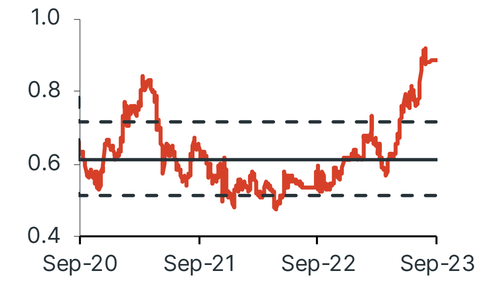
Valuation Summary

	2022	2023E	2024E	2025E
P/E	5.4	4.9	6.8	5.6
P/BV	0.8	0.9	0.9	0.8
ROAE	15.0%	19.0%	12.7%	14.6%
ROAA	0.9%	1.2%	0.8%	0.9%
Div. Yield	8.0%	7.6%	12.2%	8.7%

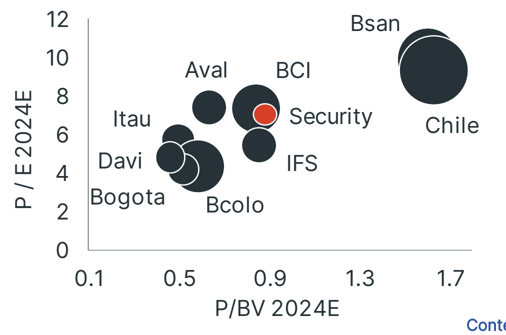
Sources: Company Reports and Credicorp Capital

P/E 12M Forward

P/BV 12M Forward



Relative Valuation

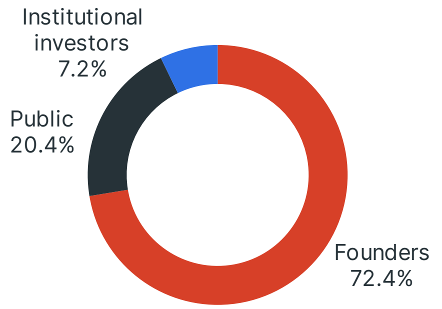


G. Security

Company Description

Grupo Security is a leading niche Chilean-based diversified financial group, offering banking, insurance, asset management and other services to large & medium-sized companies, and individuals. After 20 years of successful operations in Chile, Security began expanding in the Andean region. The first acquisition outside of Chile occurred in 2012 with the purchase of a leading travel agency in Peru. Recently, the group acquired a majority stake in Protecta (Peru).

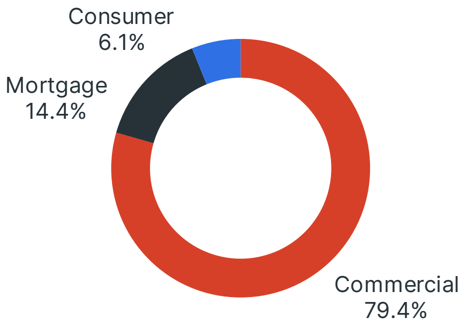
Ownership Structure



Income Statement (Banco Security)

CLP bn	2021	2022	2023E	2024E	2025E
Net interest income	213.2	344.3	426.0	350.1	328.6
Net fee income	59.4	65.4	68.8	75.3	81.3
Operating income	303.4	408.1	506.8	441.2	450.1
Provision expenses	-79.0	-72.9	-79.2	-74.3	-76.2
Operating expenses	-140.2	-175.5	-193.6	-198.2	-209.8
Net income	77.1	142.4	186.3	130.0	127.4
Net margin	25.4%	34.9%	36.8%	29.5%	28.3%

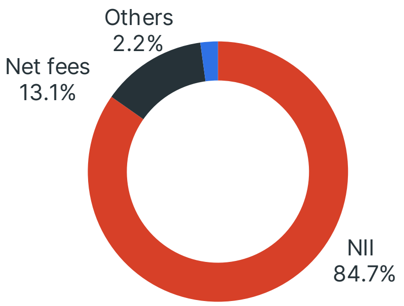
Loans by segment (2Q23)



Balance Sheet (Banco Security)

CLP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	898	491	613	610	652
Investments	1,626	2,186	2,440	1,937	2,058
Gross loans	6,729	7,273	7,667	8,183	8,756
Total assets	9,366	10,030	10,817	10,832	11,573
Total deposits	3,583	3,539	3,865	4,294	4,626
Other funding	4,651	5,196	5,493	5,005	5,322
Total liabilities	8,665	9,239	9,932	9,912	10,603
Minority interest	0.06	0.05	0.05	0.05	0.05
Shareholder's equity	701	792	885	920	970
Total liabilities + Equity	9,366	10,030	10,817	10,832	11,573

Revenue breakdown (2Q23)



Ratios (Banco Security)

	2021	2022	2023E	2024E	2025E
NIM	2.82%	4.06%	4.55%	3.61%	3.28%
Cost-to-income ratio	-46.2%	-43.0%	-38.2%	-44.9%	-46.6%
Cost of credit risk	-1.22%	-1.04%	-1.06%	-0.94%	-0.90%
BIS ratio	13.9%	14.8%	15.2%	15.8%	15.7%
ROAE	11.3%	19.1%	22.2%	14.4%	13.5%
ROAA	0.9%	1.5%	1.8%	1.2%	1.1%

Management

CEO: Fernando Salinas
CFO: Nicole Winkler
HIR: Daniela Fuentes
www.security.cl

Key Stats (Grupo Security)

	2021	2022	2023E	2024E	2025E
EPS	22.1	32.6	45.3	32.5	39.1
DPS	8.8	14.0	17.0	27.2	19.5
ROAE	10.6%	15.0%	19.0%	12.7%	14.6%
ROAA	0.7%	0.9%	1.2%	0.8%	0.9%

CredicorpCapital

Grupo Sura

Rating: Uperf
TP: COP 30,200

Equity Research Colombia
Conglomerates

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

We remain cautious on Grupo Sura due to weak profitability and potential liquidity needs

Investment Thesis

We are introducing our 2024E target price of COP 30,200/share for Grupo Sura and reiterating our UPERF recommendation. Indeed, we continue to believe market prices exceed Grupo Sura's fundamental value due to: i) weak ROEs, ii) regulatory risks and iii) possible liquidity pressures from the cash involved in the Gilinski transaction. We believe that market dynamics related to interest in control of the company led to richer valuations for common shares but believe this should not be the case for the long-term performance of the name.

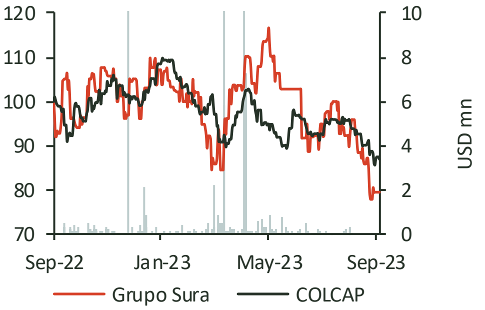
Weak ROE continues to be part of the reason for our cautious view on Grupo Sura. Our fundamental view on Grupo Sura's controlled investments remains unchanged after we updated our estimates for Suramericana and SUAM while incorporating the recent consolidation of Protección. We believe that ROE should continue to be pressured, especially for SUAM given its high amount of intangible assets. This is mostly due to intangible assets and their amortizations. Indeed, our model factors in a successful voluntary business, but this does not generate a material improvement in the company's ROE. Our long-term ROE stands below 10%.

Regulatory risks. We continue to see risks for the asset management business with pension and healthcare reform noise in Colombia. We highlight the heated speech around the healthcare business and its profitability in Colombia, with a heavier cost structure for healthcare providers in the last few months.

Stock Data

Ticker	gruposur cb
Price (COP)	31,000
Target (COP)	30,200
Total Return	0.7%
LTM Range	30,380 - 45,500
M. Cap (USD mn)	3,972
Shares Outs. (mn)	467
Free Float	53%
ADTV (USD mn)	0.7

Price Chart (COP) and Volumes (USD mn)



Valuation

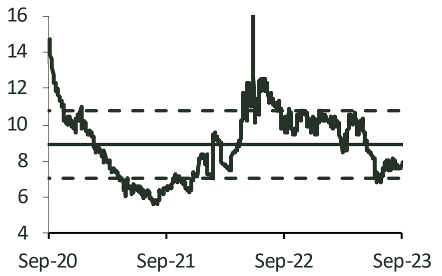
Our valuation model incorporates the Gilinski transaction. We incorporate the COP 1,447 bn payment in the company's net debt and incorporate Grupo Argos's increased stake, as well as 399 mn outstanding shares, in our valuations. Our valuation is a SOTP, which factors in Bancolombia at a simple average 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 0.8x and 0.4x, respectively, due to weak profitability for the latter. We then subtract the holding company's net debt and the present value of its expenses.

Valuation Summary

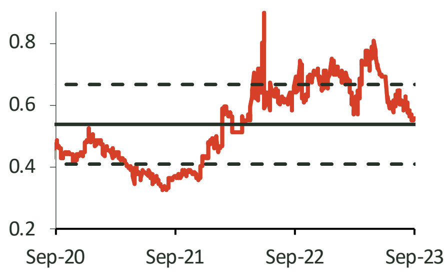
	2022	2023E	2024E	2025E
P/E	10.2	7.9	5.8	6.2
P/BV	0.6	0.5	0.5	0.5
ROAE	6.7%	6.9%	8.9%	7.9%
ROAA	2.4%	2.4%	3.3%	3.1%
Div. Yield	2.2%	4.7%	3.2%	3.4%

Sources: Company Reports and Credicorp Capital

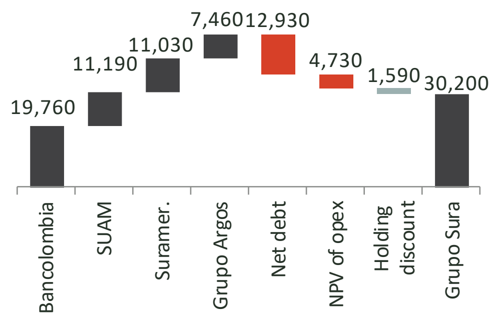
P/E 12M Forward



P/BV 12M Forward



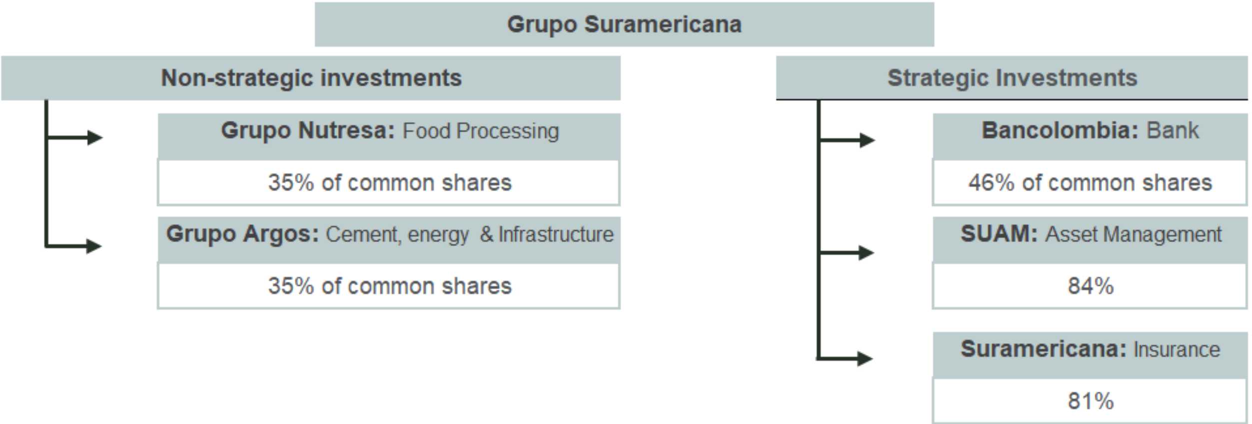
2024E TP Breakdown



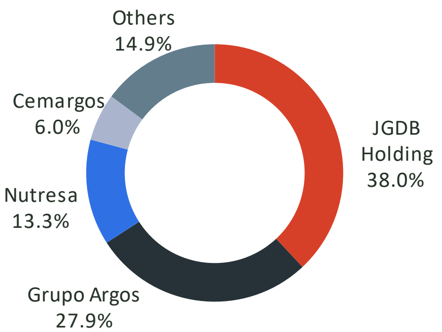
Grupo Sura

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 food processing (Nutresa) and infrastructure (Grupo Argos). Note that in May-23, Nutresa informed that it reached an MoU whereby Grupo Sura would seize being a shareholder. Thus, we expect adjustments in the structure of non-strategic investments.



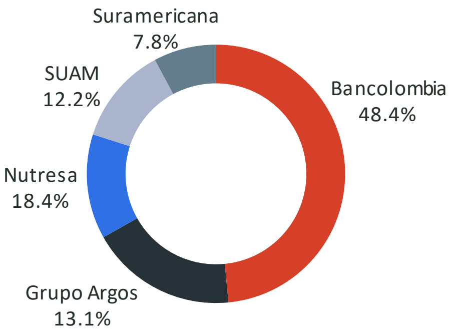
Ownership Structure (Jun-23)



Income Statement

COP bn	2021	2022	2023E	2024E	2025E
Revenues	24,863	31,350	37,008	36,859	38,038
Net Income	1,409	2,075	2,298	3,090	2,914
Suramericana	116	496	908	874	921
P&C	44	166	304	296	372
Life	201	661	1,017	987	872
SUAM	522	342	1,078	1,275	1,302
Mandatory	955	888	1,381	1,541	1,600
Voluntary	12	29	118	177	191
EPS (COP)	2,420	3,565	3,948	5,310	5,007
Net Margin	5.7%	6.6%	6.2%	8.4%	7.7%

Dividend breakdown 2023E



Balance Sheet

COP bn	2021	2022	2023E	2024E	2025E
Total Assets	75,902	98,393	94,345	94,604	94,851
Total Liabilities	44,636	59,801	57,985	55,410	53,007
Minority Interest	2,669	4,865	3,120	3,320	3,511
Shareholders Equity	28,597	33,728	33,240	35,874	38,332
Total Liabilities + Equity	75,902	98,393	94,345	94,604	94,851
ROAE	5.2%	6.7%	6.9%	8.9%	7.9%
ROAA	1.9%	2.4%	2.4%	3.3%	3.1%

Sources: Company Reports and Credicorp Capital

Management

CEO: Gonzalo Pérez
CFO: Ricardo Jaramillo
IRO: Daniel Mesa
www.gruposura.com

Grupo SURA

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

Fixed Income Research Colombia
Conglomerates

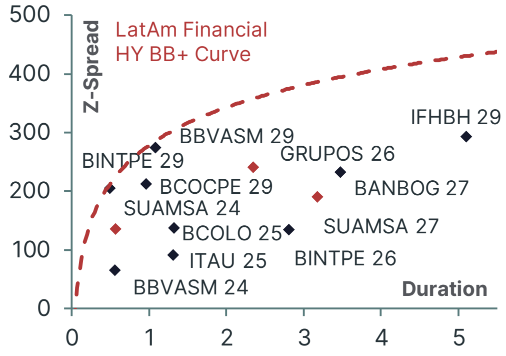
Cynthia Huaccha - chuaccha@credicorpcapital.com

Diversified dividends that sustain

Investment Thesis

The company's performance benefits from diversification in terms of business and geography. The company has a long track record of adequate levels of leverage and profitability. The flow of dividends has remained relatively stable given the good subsidiaries profitability. Part of the company's strategy has been to reduce its indebtedness. In addition to dividend flows, the company's profile has been supported by the strong relationship for banking access and capital markets. We believe that the company's profile remains at adequate levels; however, we recognize that it is exposed to idiosyncratic risks in terms of regulatory changes. Regarding the recent events, an agreement of understanding was announced under which Gilinski will exit its participation in Grupo Sura and keep majority control of Nutresa. In this transaction, Nutresa will cease to be a shareholder of Grupo Sura and Grupo Argos. With this operation, the shareholding structure will be simplified to a certain extent.

Grupo Sura Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,400MM
Closest Call Date	29-Jan-26
Closest Maturity Date	17-Apr-24

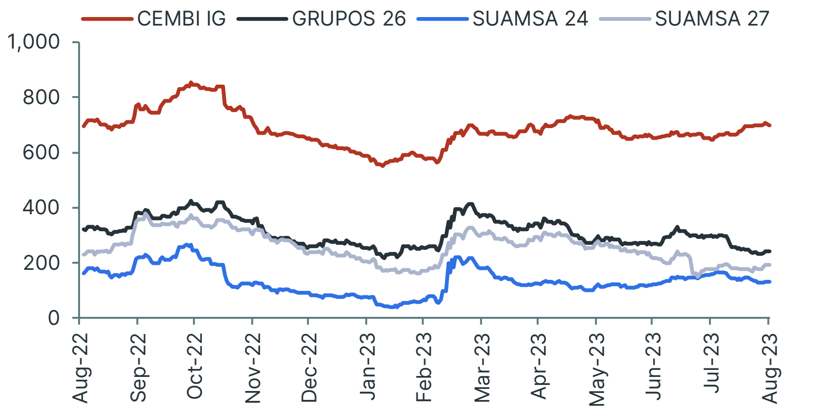
Concerns

- Regulatory and exchange rate risks
- Pressure from subsidiaries' ratings
- Exposure to variations in subsidiaries' dividends

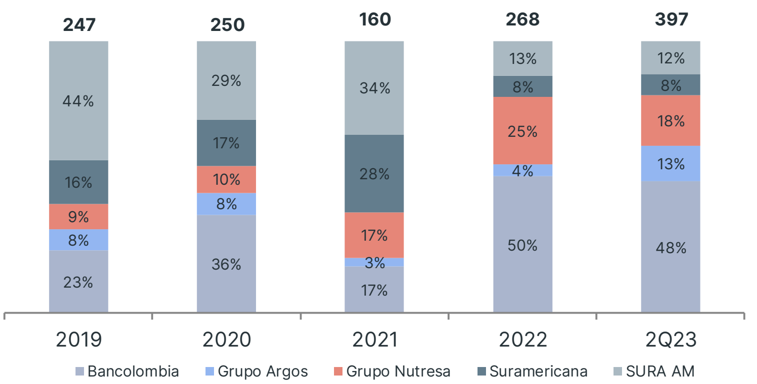
Strengths

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

Z- Spread evolution



Dividends received by from its different investments



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
GRUPOS 26	USD 550mn	5.50%	NR / BB+ / BB+	240	2.4	96.1	0.5%	7.1%	Overweight
SUAMSA 24	USD 500mn	4.88%	WR / NR / BBB	134	0.6	98.6	0.4%	7.2%	Neutral
SUAMSA 27	USD 350mn	4.38%	Baa1 / NR / BBB	189	3.2	93.8	0.4%	6.4%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Hites

Rating: Hold
TP: CLP 150

Equity Research Chile
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Gutsy business, prudent leadership

Investment Thesis

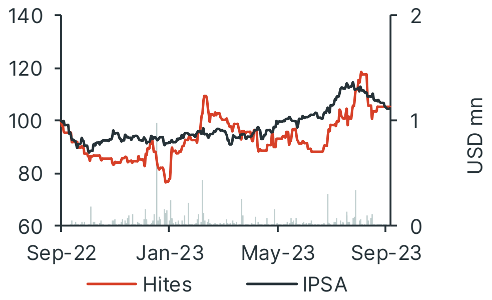
We are changing our recommendation from Buy to Hold while introducing a YE2024 TP of CLP 150. Our rating relies on the structural nature of the business, poor earnings momentum and a lack of clear catalysts. While retail margins have displayed remarkable resilience compared to peers, we are observing a normalization in inventory turnover rates. Despite this, we highlight that promotional activity remains somewhat aggressive, likely due to subdued consumer spending. We anticipate a gradual improvement, with the turning point expected to occur around 4Q24. In the financial sector, Hites has taken a more conservative approach to portfolio recovery, with gross loans currently standing 5% below pre-pandemic 1Q19 levels. In contrast, Falabella and Ripley saw increases of 17% and 2%, respectively. However, it is concerning that the cost of risk continues to deteriorate. Falabella has already shown signs of stabilization, but we believe that Hites and Ripley may not have hit the bottom yet. Monitoring their performance closely will be crucial in the coming quarters.

The short-term outlook may appear bleak; however, it is important to underscore our confidence in the company's medium-term strategy. Hites has demonstrated its adeptness in navigating turbulent times, maintaining robust cash flow generation, adhering to financial covenants and exercising prudence in managing expenses and capital expenditures. Furthermore, **we see the potential for market share expansion,** especially as Hites's competitors in the low-to-medium-income segment have shown less resilience. We appreciate the company's transparency regarding its competitive advantages, notably its decision to adopt an omnichannel strategy as an IT follower. This strategy, which saw the launch of its marketplace only in late 2022, has met with considerable success, further underlining our faith in Hites's ability to adapt and thrive in dynamic market conditions.

Stock Data

Ticker	hites ci
Price (CLP)	110
Target (CLP)	150
Total Return	36.8%
LTM Range	80 - 123
M. Cap (USD mn)	46
Shares Outs. (mn)	377
Free Float	48%
ADTV (USD mn)	0.0

Price Chart (CLP) and Volumes (USD mn)



Valuation

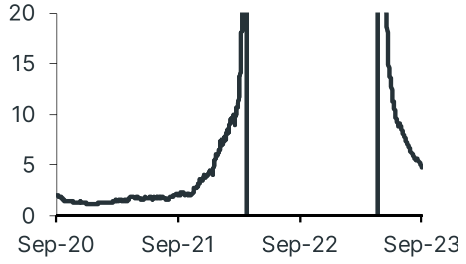
Valuation seems discounted (EV/EBITDA 2024E of 5.9x). Our TP is based on a 50/50 valuation based on a SOTP cash flow valuation (DCF for retail and residual net income valuation for the financial business) and a multiple valuation, in which we are applying a 7x EV/EBITDA for retail and a P/loans of 0.4x. We estimate 2022-2025 CAGR of 3.1% in EBITDA on the back of a challenging comparison base.

Valuation Summary

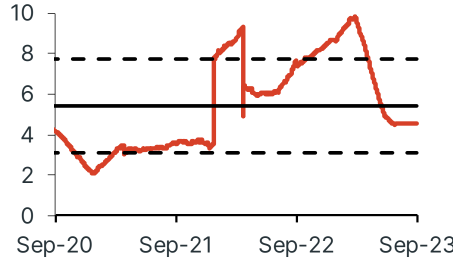
	2022	2023E	2024E	2025E
EV/EBITDA	5.3	8.7	5.9	5.4
P/E	3.6	nm	6.6	4.6
P/CF	1.0	3.3	1.5	1.0
P/BV	0.2	0.3	0.3	0.3
Div. Yield	38.7%	6.4%	0.0%	9.1%

Sources: Company Reports and Credicorp Capital

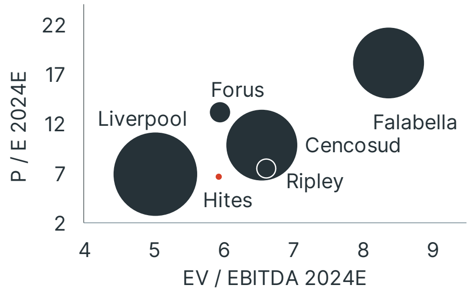
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

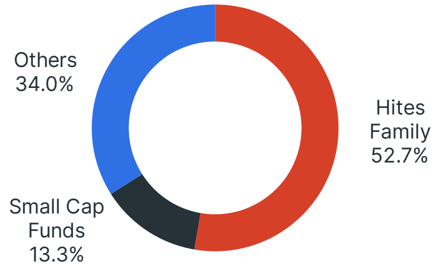


Hites

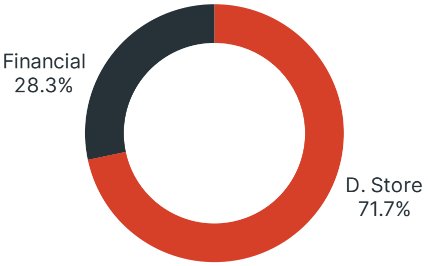
Company Description

Empresas Hites SA is a Chilean company, which operates through the Retail and Financial Service segments in Chile. The Retail business includes 30 Department Stores in which the company offers apparel, electronic, and houseware products through offline and online channels. The Financial segment includes a credit card operation with ~420,000 active clients and a ~USD 177 mn gross loan portfolio. The company was founded in 1940 and consolidated LTM sales reach ~USD 414 mn.

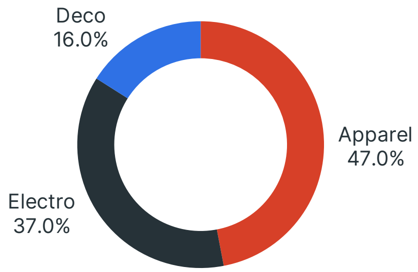
Ownership Structure



Revenue breakdown by business (LTM)



Retail Revenue breakdown by category (LTM)



Management

CEO: Gonzalo Irarrazaval
CFO: Agustin Letelier
IRO: Agustin Letelier
www.hites.com

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	403,820	368,394	341,535	356,149	376,620
Gross Profit	164,390	134,982	120,369	136,311	145,556
EBITDA	78,022	44,529	30,540	44,526	48,744
Net Income	41,691	8,869	-10,167	6,246	9,005
EPS (CLP)	111	24	-27	17	24
Gross Margin	40.7%	36.6%	35.2%	38.3%	38.6%
EBITDA Margin	19.3%	12.1%	8.9%	12.5%	12.9%
Net Margin	10.3%	2.4%	-3.0%	1.8%	2.4%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	46,086	38,644	28,099	49,990	83,574
Total Current Assets	241,414	240,821	220,125	254,279	308,409
Total Assets	451,182	452,647	420,223	439,547	455,543
Current Liabilities	111,114	108,588	107,173	112,309	115,695
Financial Debt	236,537	242,977	245,796	256,984	267,343
Total Liabilities	305,101	303,369	282,861	295,939	306,678
Minority Interest	16	3	3	3	3
Shareholders Equity	146,065	149,275	137,360	143,606	148,863
Total Liabilities + Equity	451,182	452,647	420,224	439,547	455,543
Net Debt /EBITDA	2.4	4.6	7.1	4.6	3.8
Financial Debt /EBITDA	3.0	5.5	8.0	5.8	5.5
Financial Debt /Equity	1.6	1.6	1.8	1.8	1.8
ROAE	31.7%	6.0%	-7.1%	4.4%	6.2%
ROAA	9.5%	2.0%	-2.3%	1.5%	2.0%
ROIC	16.0%	5.4%	1.4%	5.4%	5.8%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**69,233**	**46,086**	**38,644**	**28,099**	**49,990**
Cash Flow From Operations	25,435	12,370	-1,773	16,703	33,619
CAPEX	-9,819	-9,952	-6,571	-6,000	-6,646
Changes in Financial Debt	-16,902	6,440	2,818	11,188	10,359
Dividends (Paid) Received	0	-12,507	-2,661	0	-3,748
Other CFI & CFF Items	-21,861	-3,792	-2,358	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**46,086**	**38,644**	**28,099**	**49,990**	**83,574**
Change in Cash Position	**-23,147**	**-7,442**	**-10,545**	**21,891**	**33,584**

Sources: Company Reports and Credicorp Capital

IFS

Rating: Hold
TP: USD 30.0

Equity Research Peru
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

Waiting for the normalization of financial results in 2024. The short term will be impacted by higher provision expenses

Investment Thesis

We are introducing our 2024E TP of USD 30/share and updating our recommendation to HOLD. Even though the bank has the ability to report profitability in the range of 16%-18% in the long-term, the short term for the company looks challenging considering the economic scenario and the pressures in provisions. In fact, the company reported a cost of risk (CoR) of 3.4% in 1H23 and updated the guidance to a figure in the range of 3.2%-3.6%. As a result, IFS estimates a ROAE close to 14%, while we incorporate a 13.6% ROAE (considering IFRS 17) and a recovery to 16.8% in 2024. We acknowledge that the stock looks discounted trading at 0.9x P/BV 2024E, but we prefer to wait for the normalization of asset quality indicators and for the rebound in financial results before investing in IFS.

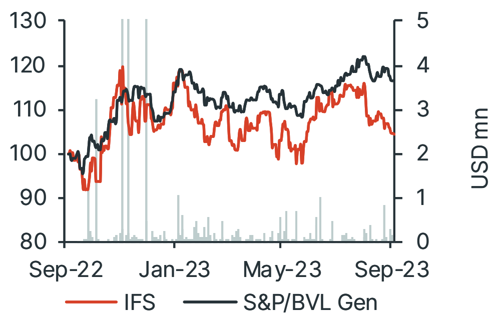
CoR impacted in 2023 due to inflation pressures, protests, rains and the potential impact of El Niño phenomenon. The significant increase in the CoR in 1H23 was driven by the retail segment as it rose from 3.6% in 2Q22 to 5.4% in 1Q23 and 6.0% in 2Q23. In the second half of the year, we estimate a CoR of 3.4% still explained by consumer loans and the credit card portfolio. On the positive side, the retail coverage ratio stands at 260%, but the higher need of provision expenses should pressure profitability figures in the short term.

The loan mix returned to pre-pandemic levels benefiting the NIM. The consumer portfolio has posted a CAGR of 16% in the last two years, allowing the company to reach a similar loan mix as in 2019. This benefited the NIM, which reached 5.7% in 2Q23. Even though we expect a normalization of the consumer loan growth, we expect the NIM to be in the range of 5.5%-5.6% in 2023 and 2024.

Stock Data

Ticker	ifs pe
Price (USD)	22.7
Target (USD)	30.0
Total Return	37.6%
LTM Range	20.0 - 26.0
M. Cap (USD mn)	2,621
Shares Outs. (mn)	115
Free Float	29%
ADTV (USD mn)	0.3

Price Chart (USD) and Volumes (USD mn)



Valuation

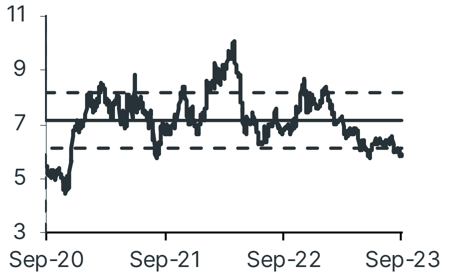
Our 2024E TP is based on two methodologies. 50% comes from a ten-year residual income model assuming a nominal Ke of 14.4% in PEN and perpetuity growth of 5.0%. The other 50% comes from a fair P/E ratio considering a 40% dividend payout and a Ke of 14.4%. Our TP implies a 1.1x P/BV and a 7.1x P/E 2024E, while shares are currently trading at a 0.9x P/BV and a 5.4x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4.x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 16.3%.**

Valuation Summary

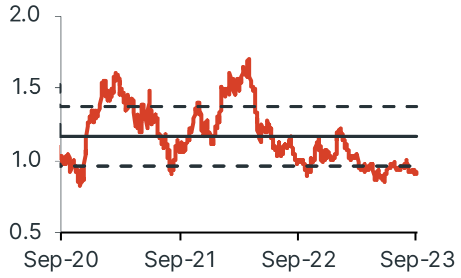
	2022	2023E	2024E	2025E
P/E	6.3	7.3	5.4	4.8
P/BV	1.1	1.0	0.9	0.8
ROAE	17.0%	13.2%	16.8%	16.8%
ROAA	1.9%	1.5%	1.9%	2.0%
Div. Yield	7.3%	5.2%	5.5%	7.4%

Sources: Company Reports and Credicorp Capital

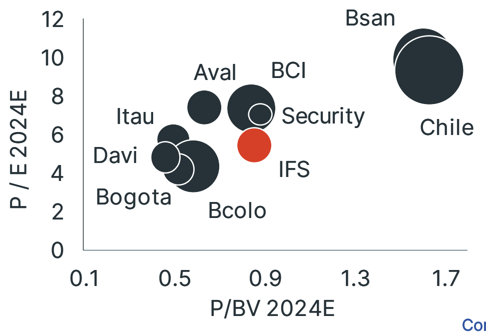
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

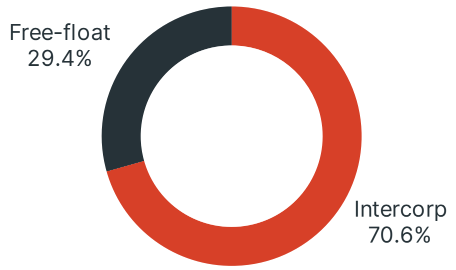


IFS

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.

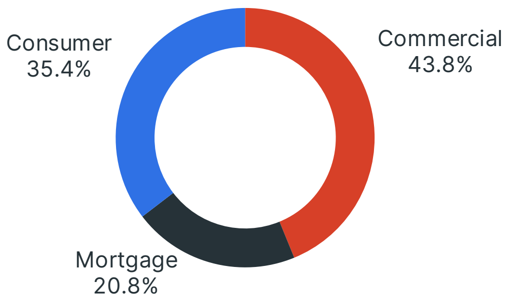
Ownership Structure



Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Net interest income	3,548	4,209	4,626	4,884	5,106
Net fee income	824	1,128	1,209	1,269	1,355
Operating income	5,036	5,676	6,095	6,540	6,957
Provision expenses	-382	-831	-1,568	-1,211	-1,136
Operating expenses	-2,263	-2,675	-2,777	-2,939	-3,150
Net income	1,790	1,661	1,322	1,798	2,010
EPS (PEN)	15.5	14.4	11.5	15.6	17.5
Net margin	35.5%	29.3%	21.7%	27.5%	28.9%

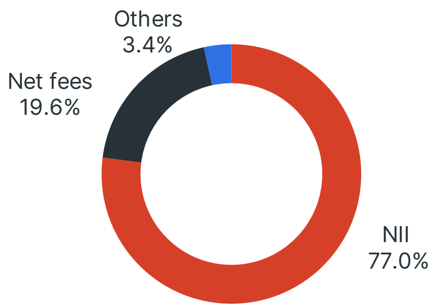
Loans by segment (2Q23)



Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	17,134	13,490	11,412	12,061	12,984
Investments	24,547	22,788	25,990	27,220	29,939
Gross loans	43,012	45,281	47,296	49,822	53,491
Total assets	89,954	87,483	90,282	94,999	102,820
Total deposits	48,898	48,531	49,284	50,873	54,676
Other funding	16,913	15,037	15,180	15,785	16,983
Total liabilities	80,399	77,437	80,160	83,599	90,121
Minority interest	51	55	58	66	75
Shareholder's equity	9,504	9,991	10,064	11,334	12,624
Total liabilities + Equity	89,954	87,483	90,282	94,999	102,820

Revenue breakdown (2Q23)



Ratios

	2021	2022	2023E	2024E	2025E
NIM	4.22%	5.06%	5.56%	5.63%	5.51%
Fee ratio	16.4%	19.9%	19.8%	19.4%	19.5%
Cost-to-income ratio	-44.9%	-47.1%	-45.6%	-44.9%	-45.3%
NPL / loans	3.0%	2.6%	2.6%	2.5%	2.5%
LLP / loans	-4.0%	-3.4%	-3.6%	-3.6%	-3.5%
Cost of credit risk	-0.90%	-1.88%	-3.39%	-2.49%	-2.20%
LLP / NPL	-132%	-134%	-139%	-147%	-143%
LTD ratio	84.5%	90.1%	92.5%	94.4%	94.4%
Loan-to-funding ratio	62.8%	68.8%	70.7%	72.0%	72.0%
Leverage	9.7	9.1	8.9	8.7	8.3
ROAE	19.4%	17.0%	13.2%	16.8%	16.8%
ROAA	2.0%	1.9%	1.5%	1.9%	2.0%

Sources: Company Reports and Credicorp Capital

Management

CEO: Luis Felipe Castellanos

CFO: Michela Casassa

HIR: Ernesto Ferrero

www.ifs.com.pe

ILC

Rating: Hold
TP: CLP 6,400

Equity Research Chile
Conglomerates

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

Dealing with unprecedented risks for its health-related businesses and waiting for a pension reform less disruptive than previously expected.

Investment Thesis

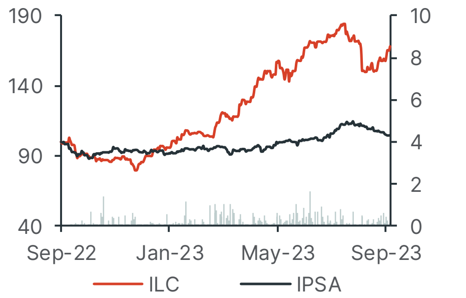
We are introducing a 2024YE TP of CLP 6,400/share and downgrading our recommendation to HOLD from Buy. Our new stance is based not only on the rally of ~100% observed in the stock price since early December of last year, which leaves room for an ETR equivalent to that we are forecasting for the IPSA, but also on the rulings issued by the Supreme Court that challenge the operational and financial sustainability of the private health insurance companies in Chile ("Isapres" by its acronym in Spanish) thus eventually impacting the healthcare service providers. Regarding this matter, the new deadline set by the Supreme Court for the government to implement its resolution regarding the application of the "tabla de factores" to Isapre contributors is approaching (November). Meanwhile, a very recent ruling that nullifies the upward adjustment to the GES premium puts even more pressure on industry participants amid the discussion to legislate a short law in Congress.

Unfortunately, all the above will continue to dominate the attention of investors in the coming months, overshadowing the more favorable environment for the annuities business, the positive evolution of Banco Internacional's results, the favorable expectations related to the consolidation of Autofin, the growing activity and resilient margins of Red Salud as well as a political landscape indicating that the pension reform, which is in early stages of discussion in Congress, will likely have a less disruptive scope than initially intended by the government.

Stock Data

Ticker	ilc ci
Price (CLP)	5,699
Target (CLP)	6,400
Total Return	15.8%
LTM Range	2,704 - 6,240
M. Cap (USD mn)	639
Shares Outs. (mn)	100
Free Float	33%
ADTV (USD mn)	0.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

Our TP is derived from a NAV calculation. We are now considering a bigger holding discount (~35% vs. 25% previously) with the aim of incorporating the increased uncertainty on the outcome of the implementation of the Supreme Court ruling on the "tabla de factores" based on government calculations ("worst-case scenario"). This intends to reflect the low visibility regarding the most recent ruling on the GES premium. Our NAV estimate considers the market capo of Habitat/AAISA, a NPV for Red Salud assuming that it will book a loss in the accounts receivable to Isapres, zero equity value for Isapre Consalud and P/BV ratios for the insurance-related businesses and Banco International of 1.0x and 1.2x, respectively.

Valuation Summary

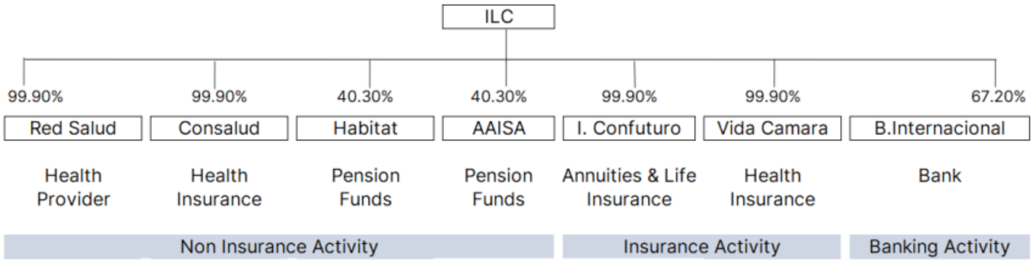
	2022	2023E	2024E	2025E
P/E	8.2	3.8	3.4	3.2
Div. Yield	19.4%	3.3%	3.5%	3.2%

Sources: Company Reports and Credicorp Capital

Rating Risk of ILC

AA+ / Stable (Feller Rate)

Ownership Structure



ILC

Company Description

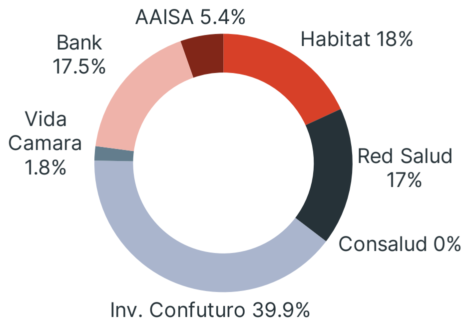
Inversiones La Construcción (ILC) is a Chilean holding company, with controlling stakes in Confuturo (annuities/life insurance), Vida Camara (group health insurance), Red Salud (healthcare facilities network), Isapre Consalud (health insurance provider), Banco Internacional (bank), and Habitat (pension fund manager). It is controlled by the Chilean Construction Chamber (CChC), a non-profit entity which receives ILC dividend and invest it in social projects and general expenses.

Ownership Structure

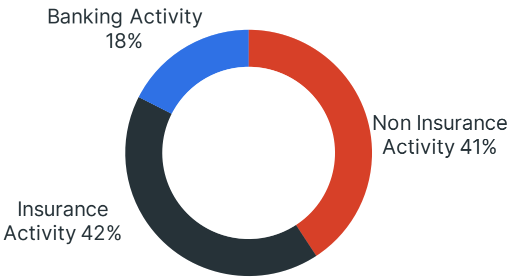
Valuation

Underlying Assets	Equity Value	Method	Stake	Equity Stake ILC	% of ILC
Habitat	733,410	Market Cap	40.3%	295,491	18.1%
AAISA	218,000	Market Cap	40.3%	87,832	5.4%
Red Salud	281,000	DCF	99.9%	280,719	17.2%
Consalud	0	DDM	99.9%	0	0.0%
Inv. Confuturo	651,120	1.0x P/B	99.9%	650,469	39.9%
Vida Camara	29,209	1.0x P/B	99.9%	29,180	1.8%
Banco Internacional	359,331	1.2x P/B	67.2%	285,412	17.5%
Total Equity from subsidiaries				1,629,103	
Debt				-743,538	
Cash				269,788	
Total Equity Value ILC				1,155,353	
ILC´s Shares (mn)				100	
NAV				11,554	
Holding Discount				36%	
SG&A at the parent company NPV/share				-939	
Target Price 2024 YE (rounded)				6,400	
Upside				20%	
Div Yield 2024				10%	
Total Return				29%	

ILC Value Breakdown (Based on our estimates)



ILC Value Breakdown (Based on our estimates)



Sensitivity Analysis - P/BV Bank (left axis) & P/BV Inversiones Confuturo (top axis)

	0.8	0.9	1.0	1.1	1.2
1.0	5,000	5,500	6,000	6,500	7,000
1.1	5,200	5,700	6,200	6,700	7,200
1.2	5,400	5,900	6,400	6,900	7,300
1.3	5,600	6,100	6,500	7,000	7,500
1.4	5,800	6,200	6,700	7,200	7,700

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Net Income Non-Insurance*	-50,645	-14,602	49,739	61,271	68,698
Net Income Insurance	116,861	121,873	60,448	63,307	65,221
Net Income Banking	37,927	57,454	57,862	58,300	61,368
Minority Interest	-15,725	-18,191	-16,503	-15,935	-16,774
Profit to Shareholders	88,419	146,534	151,545	166,943	178,513

Souces: Company Reports and Credicorp Capital

Management

CEO: Pablo González
CDO: Rosario Letelier
HIR: Gustavo Maturana
www.ilcinversiones.cl

CredicorpCapital

Indisa

Rating: Hold
TP: CLP 1,900

Equity Research Chile
Healthcare

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

The disciplined ramp-up of Maipu and a more efficient operation are overshadowed by the uncertainty on the private health insurance system.

Investment Thesis

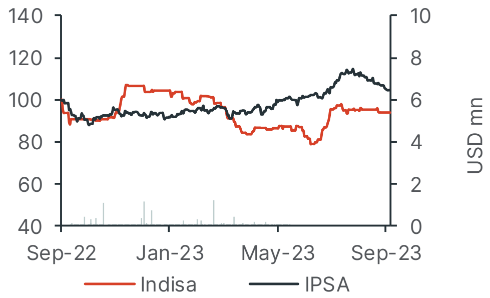
We are introducing a 2024YE TP of CLP 1,900/share and downgrading our recommendation to HOLD from Buy. Our new stance is based not only on an upside potential equivalento to that is offered by other more liquid names in the local equity market, but particularly on the unprecedented uncertainty stemming from Supreme Court rulings issued since the end of last year that challenge the operational and financial sustainability of the private health insurance system in Chile ("Isapres" by its acronym in spanish) thus impacting private healthcare service providers. Regarding this matter, the new deadline set by the Supreme Court for the government to implement its resolution regarding the application of the "tabla de factores" to Isapres contributors is approaching (next November). Meanwhile, a very recent ruling that nullifies the upward adjustment to the GES premium adds even more pressure to Isapres just amid the discussion to legislate a short law in Congress. In the 1H23, 75% of Indisa's revenues corresponded to services provided to insured by Isapres, while the accounts receivable from the latter totaled ~CLP 36,000mn (CLP 254/share).

Unfortunately, all the above will continue to dominate the attention of investors in the coming months…thereby overshadowing not only the disciplined ongoing ramp-up of its new clinic in Maipu whose operation is expected to be close to attaining break-even by the end of this year (measured as EBITDA generation), but also the achievements in terms of operational efficiency aimed at adapting to post-pandemic activity levels at their facilities in Providencia and thus regaining historical margin levels.

Stock Data

Ticker	indisa ci
Price (CLP)	1,449
Target (CLP)	1,900
Total Return	31.3%
LTM Range	1,218 - 1,650
M. Cap (USD mn)	229
Shares Outs. (mn)	141
Free Float	57%
ADTV (USD mn)	0.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

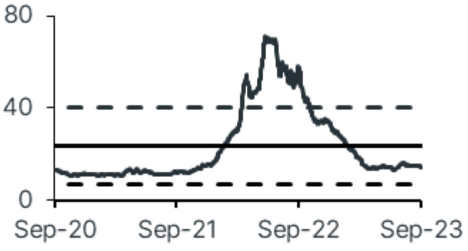
Our Dec-24 TP of CLP 1,900/share is based on a blended 10-year DCF valuation and EV/Fwd EBITDA target close to 10x (2/3 and 1/3 weight, respectively), resulting in weighted average implicit ratio of ~9.0x.

Valuation Summary

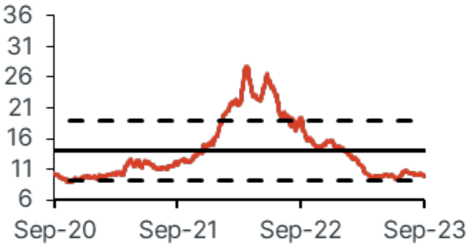
	2022	2023E	2024E	2025E
EV/EBITDA	16.8	21.9	11.9	7.3
P/E	17.4	176.9	25.5	11.0
P/CF	-7.6	-25.7	319.8	1065.5
P/BV	2.2	1.9	1.8	1.6
Div. Yield	4.5%	1.9%	0.2%	1.6%

Sources: Company Reports and Credicorp Capital

P/E 12M Forward



EV/EBITDA 12M Forward

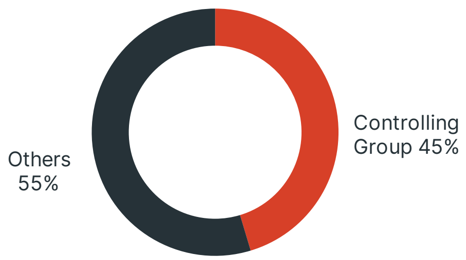


Indisa

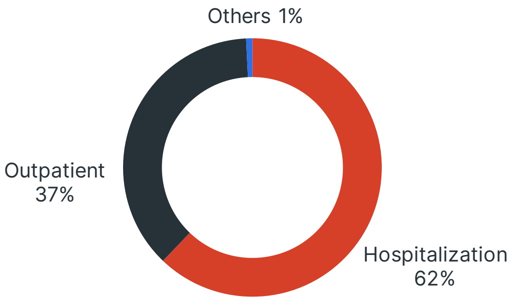
Company Description

Indisa owns and operates one of the largest private clinics in Chile (measured in number of beds) that is located in the municipality of Providencia in Santiago. In its five buildings totaling ~93k m2, the company offers emergency and ambulance services, medical consultations, a clinical laboratory, imaging, magnetic resonance imaging, nuclear medicine, ultrasound, computerized tomography, medical and surgical hospitalization and intensive and intermediate care units, among other services. In Nov-22, the company inaugurated the first stage of its new clinic in Santiago (located in Maipu).

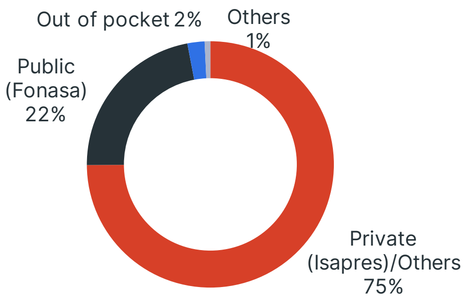
Ownership Structure



Revenue breakdown by business (LTM



Revenues by Healthcare Insur. System (1H23)



Management

CEO: Manuel Serra Cambiaso
CFO: Alejandro Milad
IRO: Jorge Falaha
www.indisa.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	188,543	191,288	219,465	243,141	266,679
Gross Profit	50,686	45,505	44,936	58,805	75,916
EBITDA	28,649	19,461	13,217	24,373	39,713
Net Income	20,650	13,050	1,155	8,013	18,598
EPS (CLP)	147	93	8	57	132
Gross Margin	26.9%	23.8%	20.5%	24.2%	28.5%
EBITDA Margin	15.2%	10.2%	6.0%	10.0%	14.9%
Net Margin	11.0%	6.8%	0.5%	3.3%	7.0%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	10,067	14,189	15,853	16,143	16,332
Total Current Assets	86,217	99,253	102,168	108,776	117,693
Total Assets	230,876	272,965	280,512	289,490	307,026
Current Liabilities	95,890	88,356	93,128	94,419	96,548
Financial Debt	84,951	112,819	114,940	114,940	114,940
Total Liabilities	135,710	171,264	175,079	176,391	178,533
Minority Interest	0	0	0	0	0
Shareholders Equity	95,166	101,701	105,433	113,099	128,493
Total Liabilities + Equity	230,876	272,965	280,512	289,490	307,026
Net Debt /EBITDA	2.6	5.1	7.5	4.1	2.5
Financial Debt /EBITDA	3.0	5.8	8.7	4.7	2.9
Financial Debt /Equity	0.9	1.1	1.1	1.0	0.9
ROAE	22.9%	13.3%	1.1%	7.3%	15.4%
ROAA	10.0%	5.2%	0.4%	2.8%	6.2%
ROIC	12.5%	7.2%	-2.9%	6.2%	10.5%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**15,065**	**10,067**	**14,189**	**15,853**	**16,143**
Cash Flow From Operations	17,586	6,907	6,971	9,871	19,791
CAPEX	-33,907	-24,140	-10,005	-9,234	-16,397
Changes in Financial Debt	21,633	27,868	2,120	0	0
Dividends (Paid) Received	-1,748	-10,316	-3,918	-346	-3,205
Other CFI & CFF Items	-8,561	3,801	6,495	0	0
Changes in Equity	0	0	0	0	0
Final Cash	**10,067**	**14,189**	**15,853**	**16,143**	**16,332**
Change in Cash Position	**-4,997**	**4,121**	**1,664**	**290**	**189**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Inkia Group

Fixed Income Research Peru
Utilities

Ba3 / BB / BB
Outlook: s / s / s

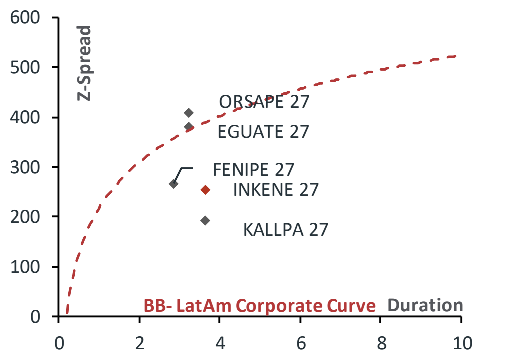
Sandra Loyola - sloyola@credicorpcapital.com

Entering the divesting period

Investment Thesis

Inkia's shareholder, I Squared Capital, is entering a divestment period, and Inkia is for sale either as a group or by selling individual businesses from its portfolio. On the fundamentals side, we like that Inkia offers good business and geographical diversification. Also, consolidated results have been robust, underpinned by its two flagship assets, Kallpa and Energuate, supporting the channeling of distributions to the holding. The ratio of Inkia's debt to distributions from subsidiaries is 0.4x. Bear in mind that today's outstanding is relatively low after the 2022 tenders, which could affect liquidity, which is the reason why we have a Neutral recommendation on the name. Still, we believe there is value in investing for profit versus market price when factoring in the asset sale clause and an outlook for further divestments.

INKENE Bonds and comparables



Credit Data

REG-S Notes

Outstanding Senior Notes

Closest Call Date

Closest Maturity Date

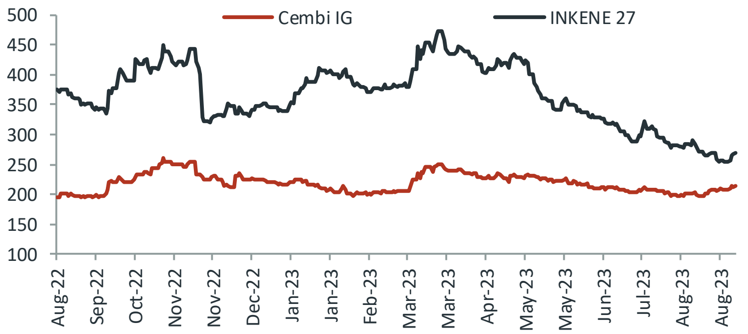
Concerns

- High pressure for distributions to the controlling party
- Execution risk during the divesting period

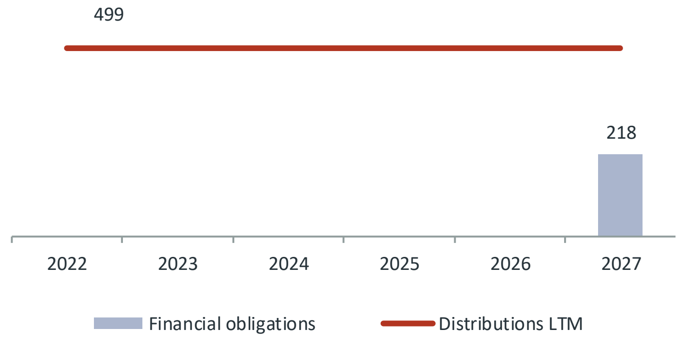
Strengths

- Leader in generation in Peru and in distribution in Central America
- Diversified portfolio by geography and business
- Long-term PPAs

Z- Spread evolution



Debt Maturity Profile



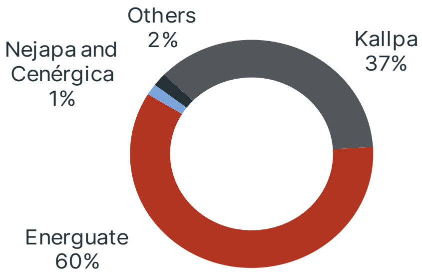
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
INKENE 27	USD 218mn	5.88%	BB-	254.4	3.7	96.6	0.5%	6.8%	Neutral

Inkia

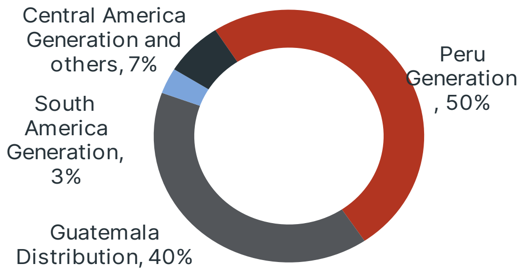
Company Description

Inkia is an international electric power company that operates generation and distribution facilities in LatAm and the Caribbean. Through its subsidiaries, it owns 2.4 GW of installed capacity fueled by natural gas, fuel oil, diesel, wind and hydro resources. Inkia is 92% contracted and has an average contract life of eight years. In parallel, through its subsidiary Energuate, it owns and operates the largest distribution company in Central America measured by population served. Inkia is controlled by the US private equity fund I Squared Capital.

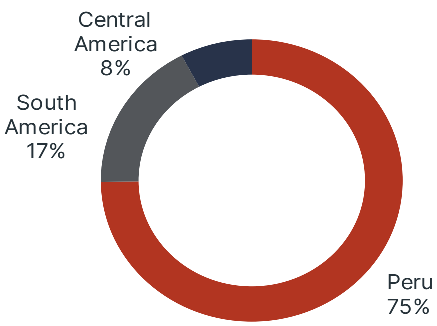
Distributions from subsidiaries 1Q23LTM



EBITDA by geography, business 1Q23LTM



Generation Installed Capacity



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Inkia's Debt /Distributions from subsidiaries	3.0x	2.7x	2.1x	0.4x	0.4x
Distrib. from subsidiaries/ Inkia's Interest expense	-	6.3x	8.2x	39.0x	41.0x
Net Debt / EBITDA	4.6x	4.7x	4.5x	4.6x	4.2x

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Distributions from subsidiaries to Inkia	200	223	290	499	525
Combined Net Revenues	1,642	1,476	1,531	1,599	1,608
Gross Profit	408	409	404	399	430
Interest Expenses	179	169	144	160	168
Adjusted EBITDA	565	559	528	503	535
Gross Margin	25%	28%	26%	25%	27%
EBITDA Margin	34%	38%	34%	31%	33%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Inkia's Individual Debt	600	600	600	218	218
Cash	147	138	331	123	132
Current Liabilities	504	499	640	425	450
Total Assets	4,765	4,691	4,462	4,137	4,145
Total Liabilities	3,748	3,762	3,622	3,355	3,305
Equity	1,016	929	840	782	841
Net Debt	2,622	2,614	2,365	2,305	2,236
Gross Debt	2,769	2,752	2,696	2,428	2,368
Short Term Debt	168	160	147	195	160
Long Term Debt	2,601	2,592	2,548	2,233	2,208
ROAE	3%	12%	31%	18%	19%
ROAA	1%	2%	6%	3%	4%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	480	514	418	386	455
Investing Activities	-81	-105	5	-29	-45
Financing Activities	-450	-414	-227	-567	-615

Sources: Company Reports and Credicorp Capital

CredicorpCapital

InRetail

Rating: Buy
TP: USD 43.7

Equity Research Peru
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

It never disappoints

Investment Thesis

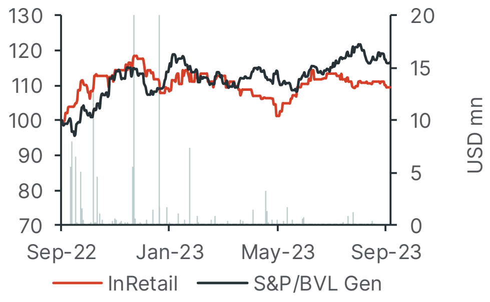
We are maintaining our Buy rating and updating our YE2024 TP to USD 43.7, factoring in a YE2024 USD/PEN exchange rate of 3.7. InRetail has consistently defied expectations, delivering remarkable double-digit EBITDA growth despite a complex landscape of social protests, adverse climate conditions in 1H23 and a challenging macro environment. The journey ahead into 2H23 presents continued difficulties due to the lingering effects of the El Niño phenomenon. However, our optimism prevails, fueled by the company's robust underlying fundamentals, making it an astute choice for navigating these uncertainties. InRetail's resilience stands out, driven by its strong presence in the food categories, which have maintained dynamism, adeptly offsetting the decline in non-food sales. Additionally, the company's significant exposure to the cash & carry segment, which constitutes around 28% of Super revenues, enhances its resilience. The transformation to the beauty format within the pharma business has led to impressive outcomes, while new business lines in Ecuador continue to contribute to fixed cost dilutions. The real estate business has maintained a solid post-pandemic recovery, with quite attractive growth prospects going forward. This, coupled with the company's aggressive store opening plan for 2023 and 2024 (1-2 big-box stores, 150-200 Mass stores and 40 pharmacies), should lead to an outperforming growth trend. On a consolidated basis, we are forecasting a small margin improvement as operational efficiencies and continued fixed cost dilution are partially compensating for the increase in operational expenses due to new store openings and inflation-affected expenditures.

The company is trading at a ~21% discount at the NTM EV/EBITDA level versus 5Y historical figures (7.7x, compared to a historical average of 9.8x), which we believe is not justified given the company's resilient story. Having said this, liquidity remains an issue for the stock.

Stock Data

Ticker	inretc1 pe
Price (USD)	33.5
Target (USD)	43.7
Total Return	34.5%
LTM Range	30 - 36
M. Cap (USD mn)	3,643
Shares Outs. (mn)	109
Free Float	32%
ADTV (USD mn)	0.9

Price Chart (USD) and Volumes (USD mn)



Valuation

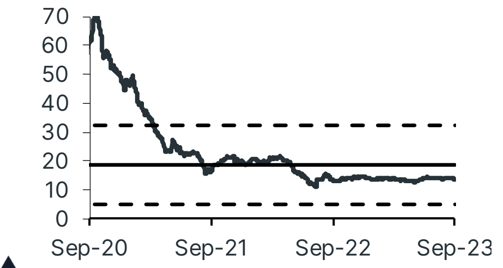
Our TP is 50/50 based on: i) a ten-year DCF model and ii) a multiple valuation. We have adjusted our WACC up to 11%, incorporating a higher risk-free rate and higher country risk. We estimate 2022-2025 CAGRs of 8.3% and 13.8% for EBITDA and net income, respectively.

Valuation Summary

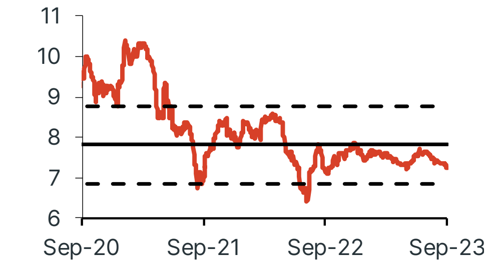
	2022	2023E	2024E	2025E
EV/EBITDA	9.0	8.1	7.5	7.1
P/E	19.5	14.7	14.3	13.1
P/CF	11.2	11.9	7.6	7.2
P/BV	2.9	2.5	2.4	2.2
Div. Yield	2.0%	3.1%	4.1%	5.3%

Sources: Company Reports and Credicorp Capital

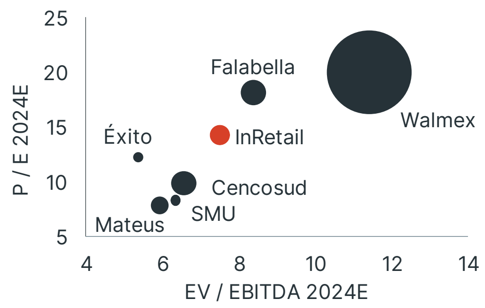
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



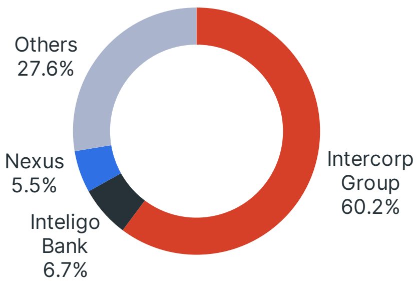
Contents

InRetail

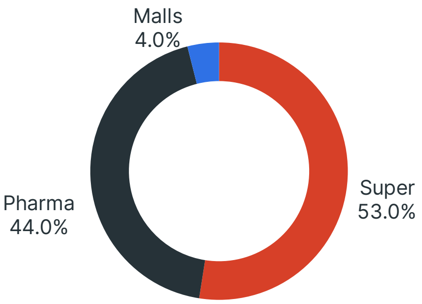
Company Description

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 Bolivia and Ecuador through the pharma segment. InRetail is the largest retail player in Peru, reaching 897 food stores, 2,281 pharmacies and 21 shopping malls. The company is controlled by Intercorp Group, one of the largest business groups in Peru. Consolidated LTM sales reach USD 4.8 bn.

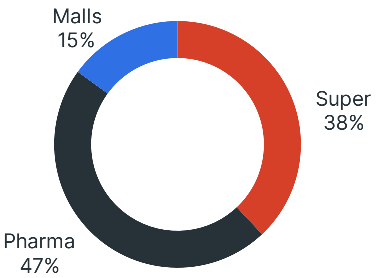
Ownership Structure



Revenue breakdown by business (LTM)



EBITDA breakdown by business (LTM)



Management

CEO: Juan Carlos Vallejo
CFO: Marcelo Ramos
IRO: Vanessa Dañino
www.inretail.pe

Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	17,922	19,782	21,260	22,614	24,006
Gross Profit	4,997	5,498	5,921	6,378	6,777
EBITDA	2,249	2,459	2,744	2,971	3,127
Net Income	347	700	919	946	1,031
EPS (USD)	3.19	6.4	8.5	8.7	9.5
Gross Margin	27.9%	27.8%	27.9%	28.2%	28.2%
EBITDA Margin	12.5%	12.4%	12.9%	13.1%	13.0%
Net Margin	1.9%	3.5%	4.3%	4.2%	4.3%

Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,039	952	948	856	1,123
Total Current Assets	4,826	4,952	5,056	5,263	5,753
Total Assets	19,354	20,364	20,822	20,931	21,090
Current Liabilities	5,488	6,062	5,868	6,153	6,441
Financial Debt	9,399	9,537	9,487	8,917	8,467
Total Liabilities	14,921	15,597	15,507	15,221	15,059
Minority Interest	53	-4	-4	-4	-4
Shareholders Equity	4,380	4,770	5,319	5,713	6,035
Total Liabilities + Equity	19,354	20,364	20,822	20,931	21,090
Net Debt /EBITDA	3.7	3.5	3.1	2.7	2.3
Financial Debt /EBITDA	4.2	3.9	3.5	3.0	2.7
Financial Debt /Equity	2.1	2.0	1.8	1.6	1.4
ROAE	7.7%	15.3%	18.2%	17.1%	17.5%
ROAA	1.8%	3.5%	4.5%	4.5%	4.9%
ROIC	7.4%	7.7%	9.0%	10.5%	11.4%

Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**1,203**	**1,039**	**952**	**948**	**856**
Cash Flow From Operations	1,045	1,519	1,670	1,857	2,000
CAPEX	-553	-804	-1,011	-810	-839
Changes in Financial Debt	868	137	-49	-570	-450
Dividends (Paid) Received	-540	-276	-420	-552	-709
Other CFI & CFF Items	-985	-886	-195	-18	265
Changes in Equity	0	223	0	0	0
Final Cash	**1,039**	**952**	**948**	**856**	**1,123**
Change in Cash Position	**-164**	**-87**	**-4**	**-92**	**267**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

InRetail Consumer

Fixed Income Research Peru
Retail

Baa3 / BB+ / BBB-
Outlook: n / s / s

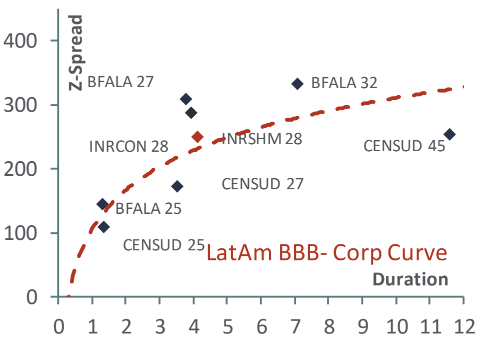
Josefina Valdivia - jvaldivia@credicorpcapital.com

Defensive play

Investment Thesis

It has been a tough scenario for general consumption, but InRetail's results this year are proof of a strongly resilient and defensive business model and a solid track record. Moreover, the company's adequate leverage levels put it in a good position to navigate potential further deterioration in consumption levels. In terms of valuations, INRCON 28 is trading 76 bps wider than CENSUD 27, inside the LTM average of 102 bps, so we do not see room for further compression.

InRetail Consumer Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 600MM
Closest Call Date	22-01-2028
Closest Maturity Date	22-03-2028

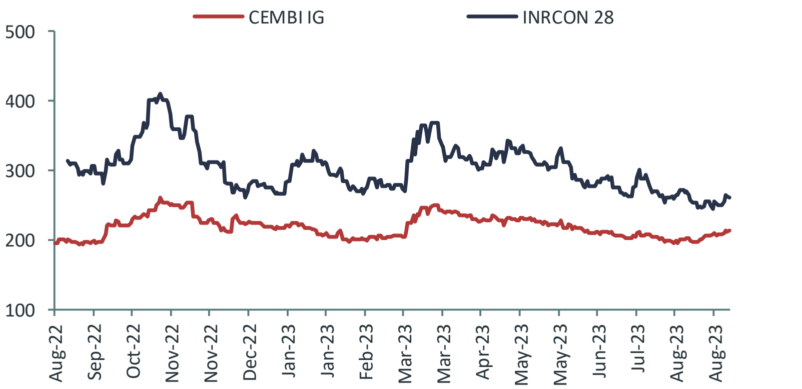
Concerns

- Impact of inflation on consumption
- Regulatory risk in Pharma
- Greater competition in Food Retail business
- Political uncertainty in Peru could hurt economic activity

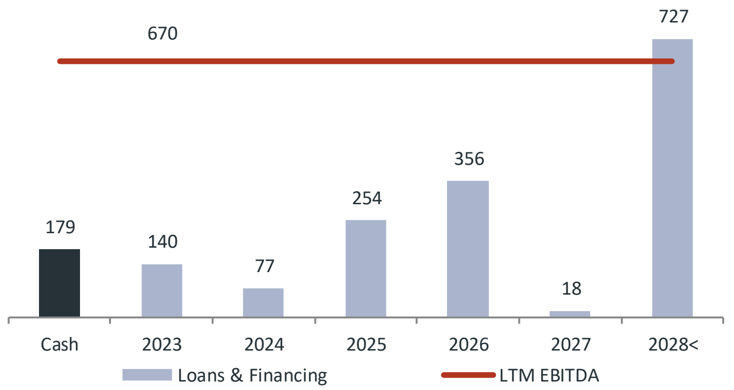
Strengths

- Strong market position in all segments
- Defensive business model, coupled with a focus on efficiency
- Strong managemet execution

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
INRCON 28	USD 600mn	3.25%	Baa3 / BB+ / BBB-	250	4.2	86.6	0.3%	6.7%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

InRetail Shopping Malls

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

Fixed Income Research Peru
Retail

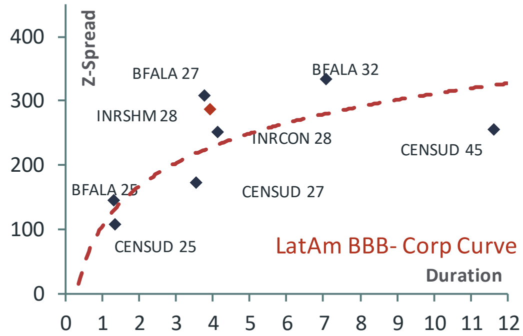
Josefina Valdivia - jvaldivia@credicorpcapital.com

Bond looks attractive versus INRCON 28

Investment Thesis

We have an Overweight recommendation for INRSHM 28 bonds, which we believe look attractive trading 40 bps wider than INRCON 28. Our OW also considers the company's relatively stable results despite the challenging outlook for consumption and the normalization in traffic.

InRetail SM Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 350MM
Closest Call Date	18-09-2023
Closest Maturity Date	03-04-2028
Interest Coverage Covenant	1.75x

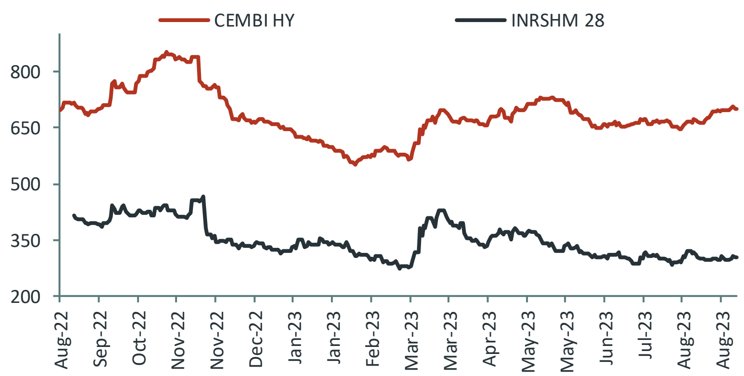
Concerns

- Potential increase in competition and saturation of malls
- Potential slowdown in consumption impacting vacancy levels

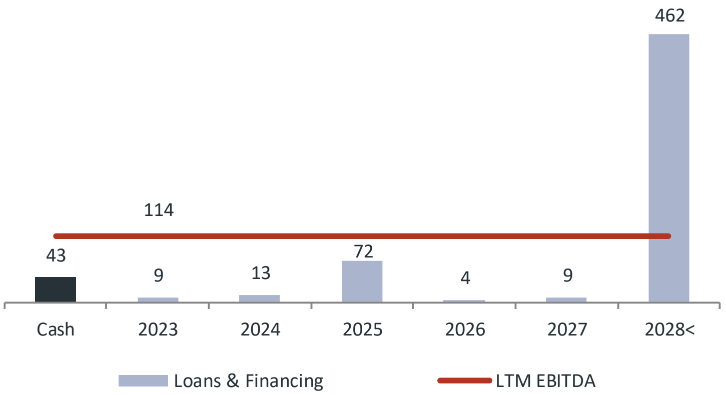
Strengths

- 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



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
INRSHM 28	USD 350mn	5.75%	Ba2 / BB+ / NR	287	4.0	94.7	0.5%	7.1%	Overweight

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Interbank

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

Fixed Income Research Peru
Banks

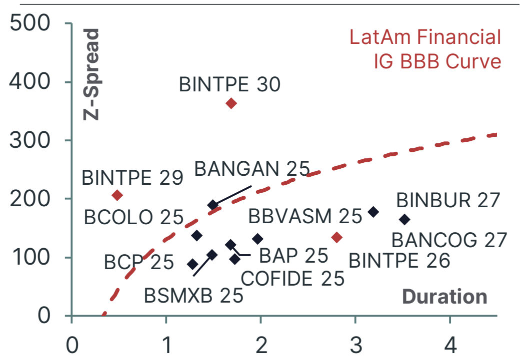
Cynthia Huaccha - chuaccha@credicorpcapital.com

Adequately facing the headwinds with good post-pandemic recovery

Investment Thesis

Despite risks related to the downturn phase of the cycle, we believe that the bank has proactive management that allows it to maintain moderate dynamism with stable portfolio quality. Its know-how in the sector and its growth strategy allow it to have a good level of NPLs compared to the region accompanied by high coverage. Likewise, the adequate level of profitability allows it to sustain itself with relatively adequate solvency. In terms of strategy, we consider the lower relative risk behind bond structures (since banking regulation does not burden bondholders with risks related to coupon and principal payments) to be beneficial. One of the challenges that Peruvian banks could face is exposure to the impact of the El Niño phenomenon on portfolio quality. However, the bank has previously shown an adequate track record of managing periods of high stress through rescheduling and monitoring client performance, so the impact is expected to be manageable.

Interbank Bonds and comparables



Credit Data	
REG-S Notes	3
Outstanding Senior Notes	USD 1,000MM
Closest Call Date	19-Mar-24
Closest Maturity Date	04-Oct-26

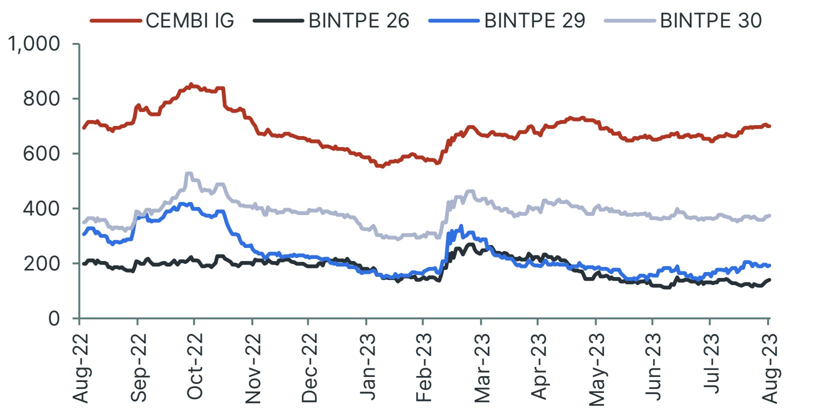
Concerns

- Economic cycle phase of deceleration
- Relatively higher exposure to riskier segments
- Risk of exposure to the El Niño phenomenon

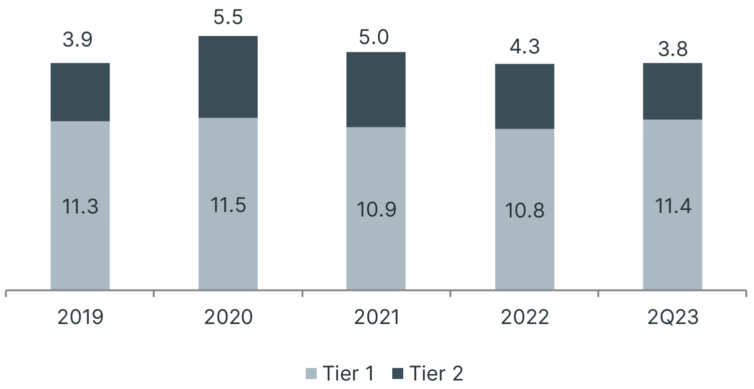
Strengths

- Strategic relevance for its economic group and the local banking system
- Strong know-how in the consumer loans segment
- Dynamic management to defend its credit profile

Z- Spread evolution



Solvency



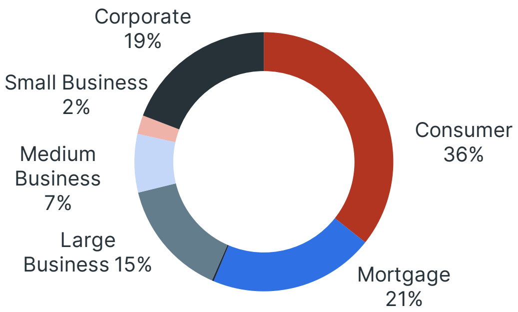
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
BINTPE 26	USD 400mn	3.25%	Baa1 / BBB- / NR	134	2.8	92.6	0.3%	5.9%	Overweight
BINTPE 29	USD 300mn	6.63%	Baa3 / BB+ / BB+	205	0.5	99.3	0.6%	8.0%	Overweight
BINTPE 30	USD 300mn	4.00%	Baa3 / BB+ / NR	363	1.7	92.6	0.4%	8.4%	Overweight

Interbank

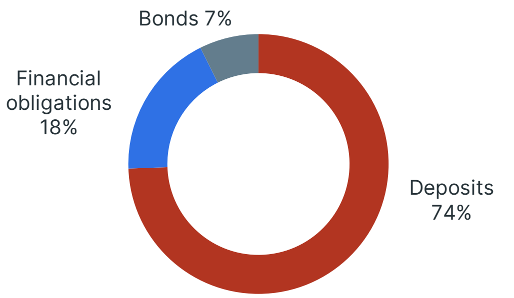
Company Description

It is the fourth largest bank in Peru, and the second in consumer credit. The bank provides banking and related financial services to retail and corporates customers. It was founded in 1897 and operates in Peru and a branch in Panama. It's a subsidiary of IFS.

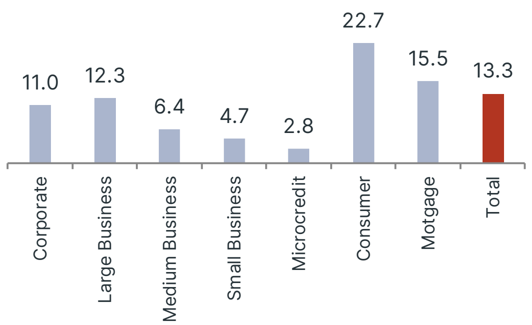
Loan Portfolio



Debt Breakdown



Market Share in Loans



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
NPL / Total Loans	3.6%	2.8%	2.8%	2.3%	2.7%
Allowances / NPL	145.2%	214.6%	196.7%	215.5%	173.8%
NIM	5.3%	5.4%	4.9%	4.5%	3.4%
Efficiency	44.5%	44.0%	44.2%	44.2%	55.1%
Tier I Ratio	6.5%	10.3%	10.3%	8.7%	7.7%
Tier 2 Ratio	5.0%	4.5%	3.4%	4.6%	4.4%
BIS Ratio	11.5%	14.7%	13.8%	13.3%	12.1%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
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%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
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

CredicorpCapital

ISA

Rating: Buy
TP: COP 24,000

Equity Research Colombia
Utilities
Steffania Mosquera - smosquera@credicorpcapital.com
Santiago Dorado - sdoradod@credicorpcapital.com

We like ISA's geographical diversification and exposure to the transmission segment in Colombia.

Investment Thesis

We are upgrading ISA from Hold to Buy while introducing our 2024E TP of 24,000/share. We believe the market has taken a cautious view on ISA due to possible changes in its management after changes in Ecopetrol's CEO and CFO (and changes in ISA's Board of Directors) and some regulatory uncertainties in Colombia. However, we continue to like ISA's story given: i) its attractive entry point, ii) its geographic diversification with only ~33% of its earnings coming from Colombia, iii) the consistent addition of new projects, and iv) a relatively limited impact (in our view) from regulatory noise in Colombia as less than 10% of the electricity payments of residential users is explained by transmission.

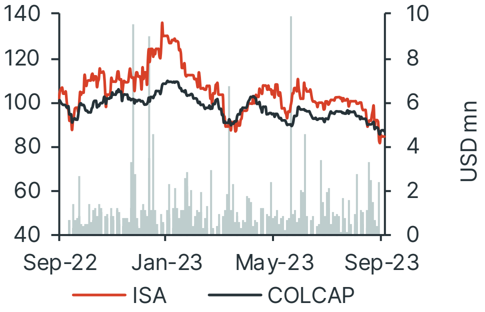
Geographic diversification and project addition. We like ISA's diversified operations with ~33% of its earnings coming from Colombia, ~25% from Brazil, and ~30% from Chile. Furthermore, the company is focusing its growth prospects on Brazil, with USD 11 bn in possible new projects (out of USD 21 bn worth of identified opportunities in South America). Indeed, the company won three ANEEL projects in the last year, which are worth USD 1.15 bn and amount to USD 136 mn of permitted annual revenues. It also added three projects in Peru and is expecting the entrance of eight new projects during the remainder of the year.

Limited impact from regulatory noise in Colombia. We acknowledge that there is some noise in the Colombian utility segment due to the president's speech regarding "tariff justice" and increases in utility prices. However, we believe that the transmission segment should not be as affected as other segments due to its relevance for the energy transition and the fact that less than 10% of the electricity regulated tariffs are explained by transmission.

Stock Data

Ticker	ISA cb
Price (COP)	14,300
Target (COP)	24,000
Total Return	76.1%
LTM Range	13,800 - 23,000
M. Cap (USD mn)	3,972
Shares Outs. (mn)	1,108
Free Float	40%
ADTV (USD mn)	1.1

Price Chart (COP) and Volumes (USD mn)



Valuation

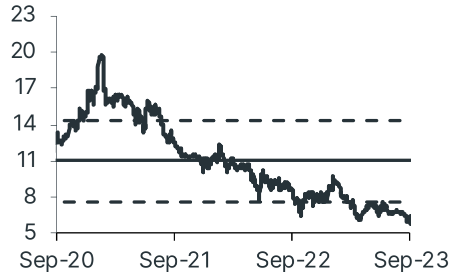
Valuations for ISA appear to be highly discounted with a 2024 P/E of 5.2x and a 2024 EV/EBITDA of 5.4x, which seems highly discounted compared to the three-year averages of 11x for P/E and 6.5x for EV/EBITDA. **Our valuation model for ISA is a SOTP with DCFs for Interchile, Intercolombia, Transelca, 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

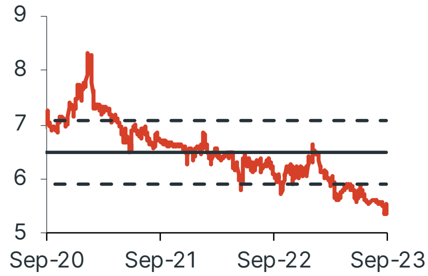
	2022	2023E	2024E	2025E
EV/EBITDA	7.7	5.7	5.4	5.2
P/E	10.6	6.0	5.2	4.8
P/CF	3.8	2.5	2.5	2.4
P/BV	1.3	0.9	0.9	0.8
Div. Yield	3.6%	12.2%	8.3%	9.5%

Sources: Company Reports and Credicorp Capital

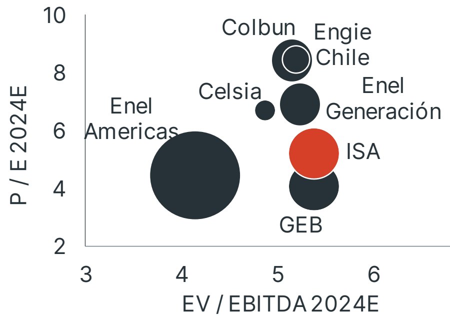
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

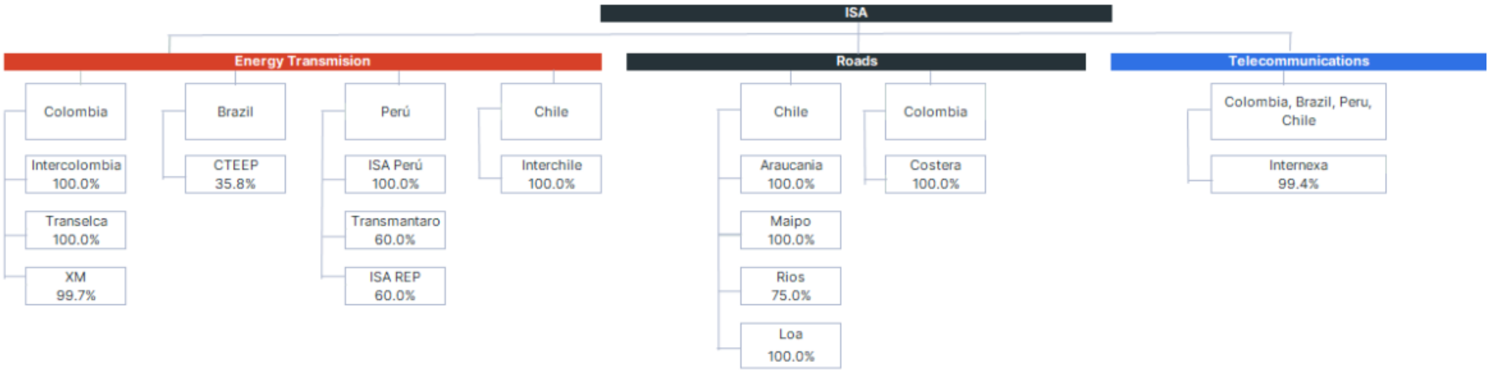


Contents

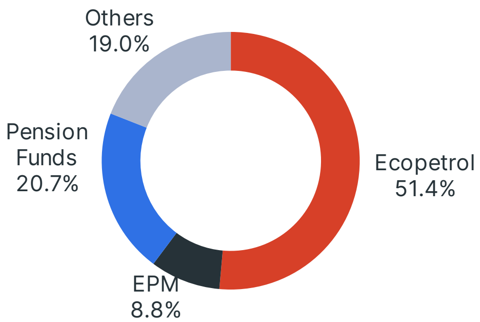
ISA

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.



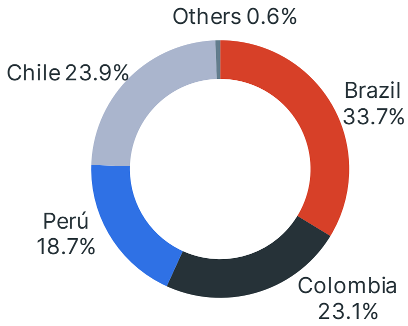
Ownership Structure



Income Statement

COP mn	2021	2022	2023E	2024E	2025E
Revenues	11,162	13,358	14,913	15,436	15,800
Colombia	2,767	3,247	3,355	3,490	3,653
Peru	2,220	2,515	2,769	2,825	2,949
Chile	2,090	2,939	3,521	3,711	3,626
Brazil	3,946	4,570	5,211	5,377	5,540
Others	138	85	57	32	31
EBITDA	7,120	8,562	9,708	10,249	10,666
Colombia	1,866	2,337	2,592	2,749	2,940
Peru	1,303	1,507	1,754	1,887	1,972
Chile	1,275	1,610	1,721	1,901	1,931
Brazil	2,642	3,082	3,614	3,688	3,799
Others	36	26	28	25	25
Net Income	1,666	2,203	2,634	3,019	3,283
EPS (COP)	1,504	1,988	2,378	2,726	2,964
EBITDA Margin	63.8%	64.1%	65.1%	66.4%	67.5%
Net Margin	14.9%	16.5%	17.7%	19.6%	20.8%

Revenues breakdown by region LTM



Balance Sheet

COP mn	2021	2022	2023E	2024E	2025E
Total Assets	61,698	78,734	77,734	80,386	83,063
Total Liabilities	39,565	49,183	47,584	47,652	47,674
Minority Interest	7,769	11,115	12,041	14,241	16,633
Shareholders Equity	14,364	18,436	18,109	18,493	18,757
Total Liabilities + Equity	61,698	78,734	77,734	80,386	83,063
ROAE	12.1%	13.4%	14.4%	16.5%	17.6%
ROAA	2.9%	3.1%	3.4%	3.8%	4.0%

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Emilio Posada
CFO: Daniel Isaza
IRO: José Iván Jaramillo
www.isa.co

CredicorpCapital

Itau Chile

Rating: Buy
TP: CLP 12,000 (loc) / USD 5.3 (ADR)

Equity Research Chile
Banks

Daniel Mora - dmoraa@credicorpcapital.com
Anibal Quintero - aquintero@credicorpcapital.com

It is time to think just about the Chilean operations as Itau should continue to struggle in Colombia in 2023 and 2024

Investment Thesis

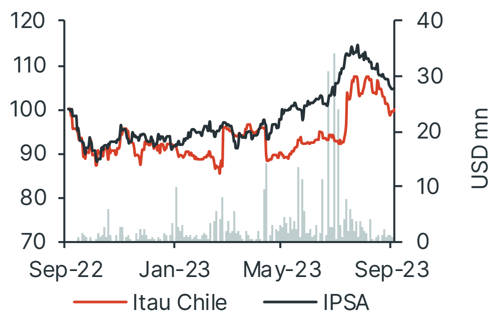
We are introducing our 2024E TP of CLP 12,000/share (USD 5.3 ADR) and maintaining our BUY rating. The story of Banco Itau Chile needs to be divided in two: Chile and Colombia. In Chile, the bank continues to increase market share in the consumer segment, while OPEX remains under control. As a result, we have seen an improvement in profitability when compared to figures observed before the pandemic. ROTE was 13.0% in 2021, 21% in 2022 and 18% in 1H23 (15% adjusting for the transaction with Cardiff), compared to 12% and 10% in 2018 and 2019, respectively. Meanwhile, in the last 12 months, the operations in Colombia have averaged a ROTE close to 1.0% despite the efforts in the cost structure due to the increase in provisions and pressures in margins.

Under this scenario, we highlight that the value of Banco Itau Chile without the operations in Colombia is higher given the little contribution in net profits. The consolidated value of Banco Itau Chile considering a long-term ROATE of 12% implies a 0.7x P/BV and a 0.8x P/TBV 2024E, while the value of the Chilean operations assuming a 14% ROATE in the long term suggests a price per share of CLP 13,300 and valuation multiples of 0.9x P/BV and 1.1x P/TBV 2024E. We acknowledge that our valuation model is below the company's guidance as Itau guides for a 14% ROTE in the long term, but even with a more conservative valuation model, we see an attractive return for investors. Banco Itau Chile remains committed to the operations in Colombia, and any improvement in financial results is an upside for the stock. In any other scenario in which Banco Itau Chile decides to sell the Colombian operations (which is a very long shot and not our base case scenario), we would consider it to be a positive catalyst for the Chilean bank.

Stock Data

Ticker	itaucl ci / itcl us
Price (CLP)	9,129 (loc)/ 3.4(ADR)
Target (CLP)	12,000 (loc)/ 5.3(ADR)
Total Return	37.2%
LTM Range	7,808 - 9,802
M. Cap (USD mn)	2,216
Shares Outs. (mn)	216
Free Float	33%
ADTV (USD mn)	2.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

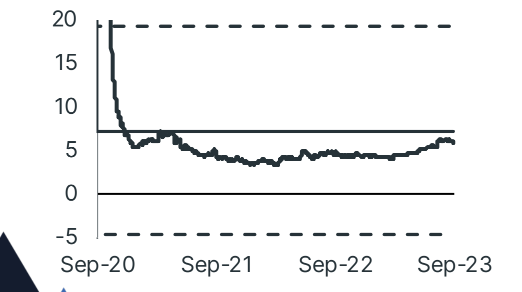
Our 2024E TP is based on a ten-year residual income model assuming a nominal Ke of 13.3% in CLP and perpetuity growth of 5.0%. Our TP implies a 0.7x P/BV, 0.8x P/TBV and 7.7x P/E 2024E, while shares are currently trading at a 0.5x P/BV, 0.6x P/TBV and 5.8x P/E 2024E. The industry's median multiples from Andean peers are 0.7x P/BV and 6.4x P/E 2024E. **We are incorporating in our valuation model a long-term ROAE of 10.7% and a ROATE of 12.2%.**

Valuation Summary

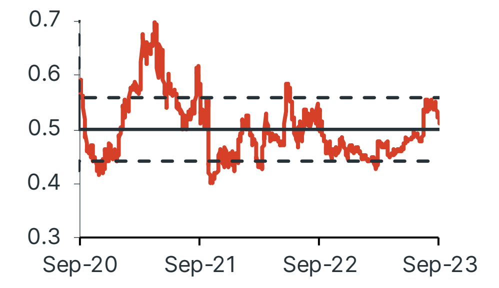
	2022	2023E	2024E	2025E
P/E	4.2	5.2	5.8	5.0
P/BV	0.6	0.5	0.5	0.5
ROAE	13.1%	10.9%	9.0%	9.8%
ROAA	1.1%	0.9%	0.8%	1.0%
Div. Yield	4.6%	6.6%	5.8%	5.2%

Sources: Company Reports and Credicorp Capital

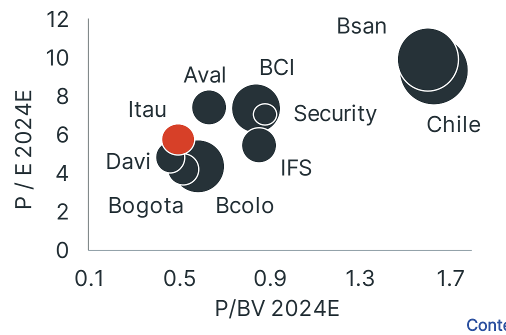
P/E 12M Forward



P/BV 12M Forward



Relative Valuation

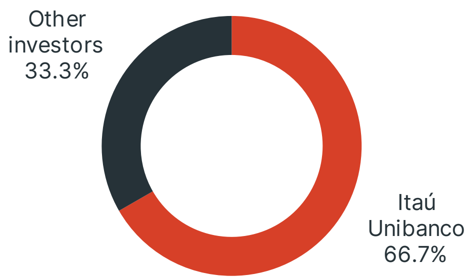


Itau Chile

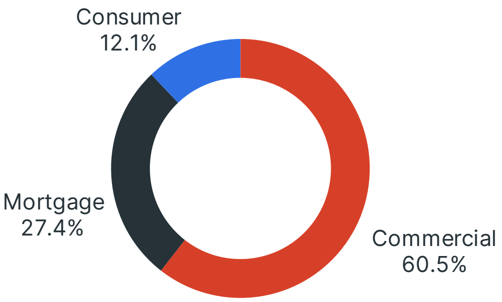
Company Description

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 ~9.9% 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 (66.7%) after a tender offer executed in 2023. Recently, the company made a reverse stock split of 4,500:1.

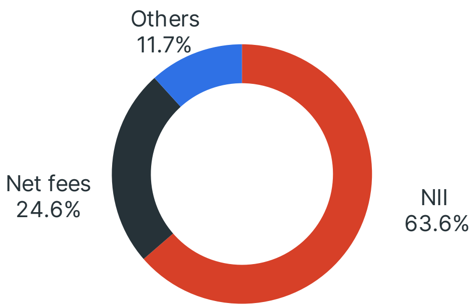
Ownership Structure



Loans by segment (2Q23)



Revenue breakdown (2Q23)



Management

CEO: Gabriel Amado de Moura

CFO: Rodrigo Luis Rosa Couto

HIR: Claudia Labbe

www.itau.cl

Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Net interest income	940	1,121	1,072	1,105	1,217
Net fee income	154	173	239	194	207
Operating income	1,326	1,449	1,433	1,504	1,642
Provision expenses	-222	-292	-315	-303	-323
Operating expenses	-715	-755	-716	-737	-780
Net income	278	434	379	339	396
EPS (CLP)*	0.3	0.4	1,751	1,567	1,828
Net margin	20.9%	29.9%	26.4%	22.5%	24.1%

*EPS in 2021 and 2022 before the reverse stock split

Balance Sheet

CLP bn	2021	2022	2023E	2024E	2025E
Cash & interbank loans	3,912	3,538	2,322	2,173	2,313
Investments	4,774	5,392	7,470	6,019	6,467
Gross loans	24,754	26,627	26,966	28,398	30,319
Total assets	37,784	40,504	40,978	40,231	42,848
Total deposits	17,674	18,259	18,463	19,288	20,530
Other funding	11,724	12,895	13,584	11,925	12,693
Total liabilities	34,432	37,182	37,329	36,344	38,685
Minority interest	75	3	3	3	3
Shareholder's equity	3,278	3,320	3,646	3,884	4,160
Total liabilities + Equity	37,784	40,504	40,978	40,231	42,848

Ratios

	2021	2022	2023E	2024E	2025E
NIM	3.42%	3.78%	3.36%	3.36%	3.58%
Fee ratio	11.6%	11.9%	16.6%	12.9%	12.6%
Cost-to-income ratio	-53.9%	-52.1%	-50.0%	-49.0%	-47.5%
NPL / loans	1.9%	2.0%	2.1%	1.9%	1.9%
LLP / loans	-3.2%	-2.7%	-2.8%	-2.8%	-3.1%
Cost of credit risk	-0.94%	-1.14%	-1.18%	-1.09%	-1.10%
LLP / NPL	-170%	-136%	-135%	-144%	-160%
LTD ratio	135.5%	141.9%	142.0%	143.1%	143.1%
Loan-to-funding ratio	81.5%	83.1%	81.8%	88.4%	88.4%
BIS ratio	16.2%	15.3%	15.9%	16.3%	16.5%
ROAE	9.9%	13.1%	10.9%	9.0%	9.8%
ROAA	0.8%	1.1%	0.9%	0.8%	1.0%

Sources: Company Reports and Credicorp Capital

Kallpa Generación

Baa3 / NR / BBB-
Outlook: s / nr / s

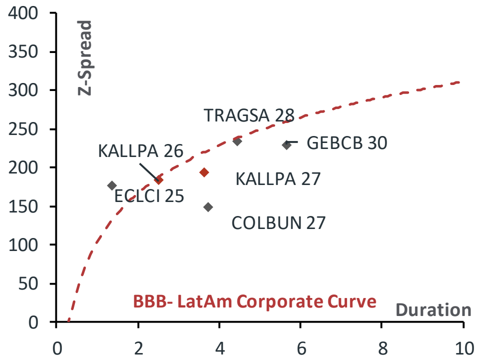
Sandra Loyola - sloyola@credicorpcapital.com

Matrix diversification, first line of defense against El Niño anomalies

Investment Thesis

Kallpa's hydro generation has been below normal in the last couple of months due to drier than normal conditions as the Coastal El Niño reached its peak causing weather anomalies in the country. Despite this, the company has been able to take advantage of its diversified portfolio increasing thermoelectric dispatch. While this could put some pressure on margins, it shows the resilience of Kallpa's assets during a challenging scenario. Regarding any potential sale, we reiterate that a downgrade derived from a change of control would trigger a repurchase of bonds at 101, so we feel that bond holders' interests are protected. Looking at valuations, we remain OW intending to capture attractive carry (6.2%-6.4%) supported by a resilient business, good portfolio diversification and improving efficiency.

KALLPA Bonds and comparables



Credit Data

REG-S Notes
Outstanding Senior Notes
Closest Call Date
Closest Maturity Date

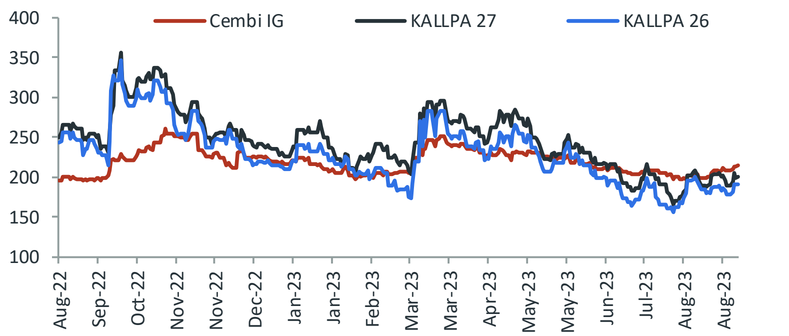
Concerns

- Hydrology risk
- High dividend requirements
- Expected change of control amid the ongoing divestment strategy of the holding company

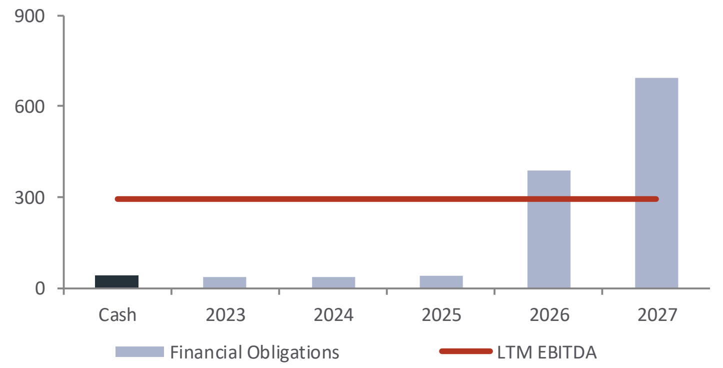
Strengths

- Supplied by low-cost local gas
- Sound structure of PPAs with an average life of 7.6 years and a 92% contracting level
- Diversified generation portfolio
- Recent completion of its asset optimization plan

Z- Spread evolution



Debt Maturity Profile



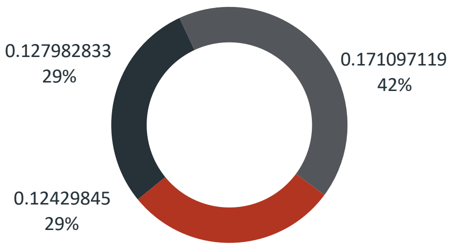
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
KALLPA 26	USD 350mn	4.88%	BBB-	182.9	2.5	96.2	0.4%	6.4%	Overweight
KALLPA 27	USD 650mn	4.13%	BBB-	193.6	3.6	92.7	0.4%	6.2%	Overweight

Kallpa

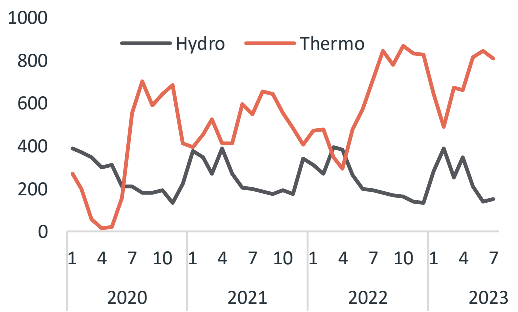
Company Description

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 1,826 MW (2/3 thermo Gx and 1/3 hydro Gx).

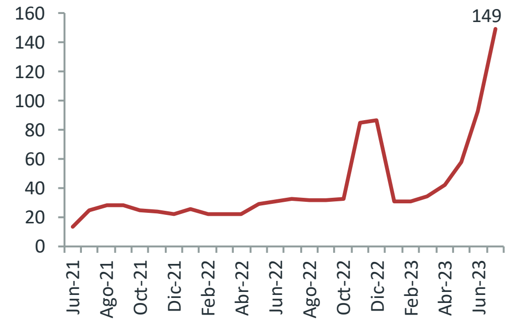
Installed Capacity (MW)



Kallpa's Generation (GWh)



System's Average Spot Price ($/MW)



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	5.4x	5.2x	5.2x	4.3x	4.1x
Gross Debt / EBITDA	3.7x	4.0x	4.3x	4.3x	3.9x
Net Debt / EBITDA	3.6x	3.9x	4.1x	4.2x	3.7x
Net Debt / Equity	3.6x	3.6x	3.2x	3.2x	3.5x
ST Debt / Gross Debt	2%	2%	3%	3%	3%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	569	539	534	597	652
Gross Profit	259	235	217	201	228
EBIT	244	228	214	192	216
Financial Expenses	55	53	51	61	71
EBITDA	293	276	266	264	293
Gross Margin	46%	44%	41%	34%	35%
EBITDA Margin	51%	51%	50%	44%	45%
Net Margin	21%	25%	22%	14%	14%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	23	29	32	36	40
Current Liabilities	196	229	156	159	169
Total Assets	1,709	1,776	1,937	1,991	1,976
Current Liabilities	130	127	120	129	168
Total Liabilities	1,414	1,475	1,593	1,645	1,662
Equity	295	300	345	346	314
Net Debt	1,063	1,073	1,101	1,110	1,090
Gross Debt	1,086	1,102	1,133	1,146	1,130
Short Term Debt	24	25	34	39	37
Long Term Debt	1,062	1,077	1,099	1,108	1,093
ROAE	41%	46%	34%	25%	29%
ROAA	7%	8%	6%	4%	5%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	273	289	251	240	286
Investing Activities	-86	-133	-111	-37	-39
Financing Activities	-214	-148	-135	-200	-257

Sources: Company Reports and Credicorp Capital

CredicorpCapital

LATAM Airlines

Rating: Buy
TP: CLP 10.5

Equity Research Chile
Transport

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

Stronger balance sheet and leaner cost structure post Chapter 11 which enable LATAM to capitalize on positive market dynamics.

Investment Thesis

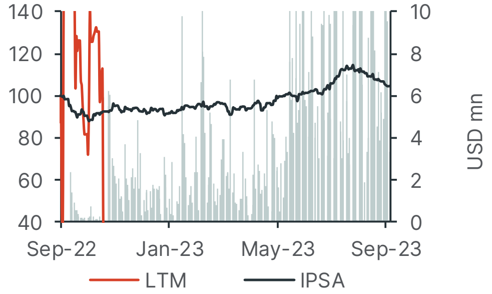
Few weeks ago, we resumed our coverage of LATAM Airlines with a 2024YE TP of CLP 10.5/share and a Buy recommendation.

We believe that, at this point, the risk/reward trade-off is asymmetrical thanks to: i) after exiting Chapter 11, LATAM has a stronger balance sheet compared to its Brazilian "peers" which has enabled it to strengthen its market position in that country amidst a more rational competitive landscape (recall that the domestic Brazilian market accounts ~30% of LATAM's consolidated revenues; ii) room for reducing its cost of capital as, by the end of next year, the company may refinance a costly unsecured bank loan for ~USD 1.0bn (effective interest rate near 20%) equivalent to ~1/4 of interest bearing liabilities ex-operating leases; iii) room for passenger traffic in international routes to recover (in the 2Q23, ASK was still 20% below that of the same period in 2019; -26% in # of passengers). The unparalleled JVA with Delta is expected to accelerate the catch-up; iv) renewed interest from investors across the board on the name as result of an increased market cap, ADTV and analysts' coverage; v) an expected greater visibility of the stock due to its inclusion in global indices (FTSE has recently announced that it will incorporate LATAM in its global equity indices); and, vi) a likely level II ADRs listing in the medium-term.

Stock Data

Ticker	ltm ci
Price (CLP)	8.4
Target (CLP)	10.5
Total Return	28.2%
LTM Range	5 - 93
M. Cap (USD mn)	5,696
Shares Outs. (bn)	604
Free Float	25%
ADTV (USD mn)	4.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

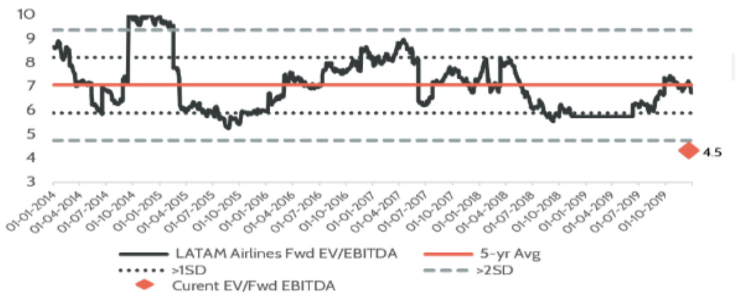
Despite a 4-month rally of over 60%, the stock still trades at discounted valuations vs. its 5-year avg. prior to the pandemic (35-40% in terms of EV/EBITDA; 2x higher than the observed for the IPSA Index). On a relative basis, LATAM's valuation also looks appealing compared to GOL, yet more challenging vs. COPA. We see room for a re-rating in LATAM' stock on the back of a potential reduction in its cost of capital and its return to global equity markets. Our Dec-24 TP has an implicit EV/Fwd EBITDA ratio of ~5x, which is ~25% below its historical valuation.

Valuation Summary

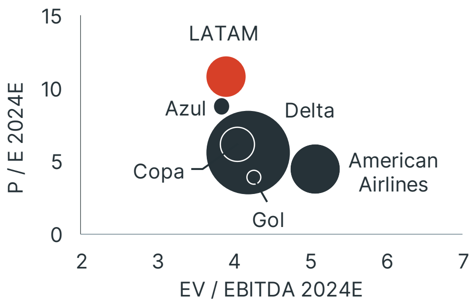
	2022	2023E	2024E	2025E
EV/EBITDA	6.7	4.2	3.8	3.6
P/E	3.0	9.1	10.6	11.3
P/CF	-1.3	7.4	6.4	4.7
P/BV	93.6	9.2	5.9	4.3
Div. Yield	0.0%	0.0%	3.3%	2.8%

Sources: Company Reports and Credicorp Capital

EV/EBITDA 12M Forward (Pre-Pandemic Valuations)



Relative Valuation

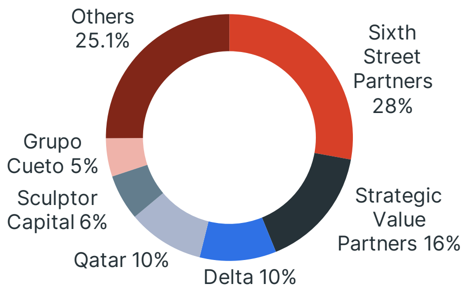


LATAM Airlines

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 311 aircraft (including 18 cargo freighters) through which it operates over 140 destinations in 22 countries. After Chapter 11, the company does not have a controlling shareholder with backstop creditors holding ~50% stake and former strategic shareholders accounting ~25%.

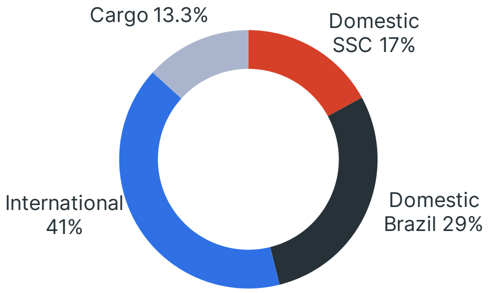
Ownership Structure



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	5,111	9,517	11,623	12,093	12,771
Operating Income	-1,119	-121	1,140	1,309	1,403
EBITDAR	167	1,261	2,403	2,617	2,786
Net Income	-4,647	1,339	625	541	507
EPS (CLP)	-6,530	1.9	0.9	0.8	0.7
Op. Income Margin	-21.9%	-1.3%	9.8%	10.8%	11.0%
EBITDAR Margin	3.3%	13.3%	20.7%	21.6%	21.8%
Net Margin	-90.9%	14.1%	5.4%	4.5%	4.0%

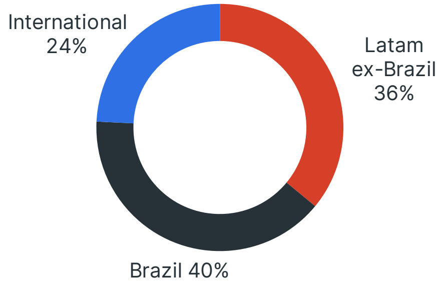
Revenue Breakdown by Division (2023E)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1,047	1,217	1,518	1,558	1,890
Total Current Assets	2,635	3,536	3,872	3,982	4,385
Total Assets	13,312	13,211	14,208	14,897	15,449
Current Liabilities	12,336	5,089	5,272	5,347	5,427
Financial Debt	10,402	6,782	6,588	6,877	7,016
Total Liabilities	20,379	13,180	13,603	13,939	14,146
Minority Interest	-10	-12	-13	-13	-13
Shareholders Equity	-7,057	42	618	971	1,315
Total Liabilities + Equity	13,312	13,211	14,208	14,897	15,449
Net Debt /EBITDA	56.1	4.4	2.1	2.0	1.8
Financial Debt /EBITDA	62.4	5.4	2.7	2.6	2.5
Financial Debt /Equity	-1.5	160.4	10.7	7.1	5.3
ROAE	97.9%	-38.2%	189.4%	68.1%	44.3%
ROAA	-32.1%	10.1%	4.6%	3.7%	3.3%
ROIC	-86.6%	30.5%	20.0%	17.1%	15.2%

Sales on the POS of the ticket or cargo (2022)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**1,696**	**1,047**	**1,217**	**1,518**	**1,558**
Cash Flow From Operations	-184	97	1,890	1,811	1,886
CAPEX	-676	-831	-1,115	-1,358	-1,134
Changes in Financial Debt	-457	-3,620	-194	289	140
Dividends (Paid) Received	0	0	0	-187	-162
Other CFI & CFF Items	668	-5,628	8,015	-514	-397
Changes in Equity	0	10,152	-8,295	0	0
Final Cash	**1,047**	**1,217**	**1,518**	**1,558**	**1,890**
Change in Cash Position	**-649**	**170**	**301**	**40**	**332**

Sources: Company Reports and Credicorp Capital

Management

CEO: Roberto Alvo
CFO: Ramiro Alfonsín
IRO: Tori Creighton
https://www.latamairlinesgroup.net/es

CredicorpCapital

Mall Plaza

Equity Research Chile
Real Estate

Rating: Hold
TP: CLP 1,600

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Strong share price outperformance leading to tighter valuations

Investment Thesis

We are maintaining our Hold rating and updating our 2024E TP to CLP 1,600, suggesting a ~25% upside from current levels, in addition to an expected 2.2% dividend yield for 2024E. While we maintain a positive outlook on the real estate sector and expect robust performance to sustain share prices, our projections indicate that Mallplaza offers the least upside potential within the sector. Our preference continues to lean towards a "flight-to-quality" strategy, with a focus on names such as Parque Arauco and Cencoshopp.

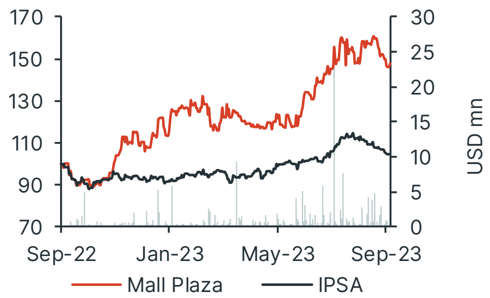
From our perspective, Mallplaza possesses strong assets that are likely to outperform inflation on a consolidated basis. However, its Tier 2 orientation, with peripheral locations and lower-tier tenants, may hinder its ability to catch up with peers in terms of NOI growth going forward. Retailers have been executing optimization plans, resulting in the closure of underperforming stores, with a significant portion of these closures occurring in Mallplaza's malls. While this may potentially lead to higher rents/sqm, driven by an increased presence of smaller retailers, this transformation has not materialized yet. Notably, Mallplaza maintains the highest vacancy levels among its peers (5% versus 3% for peers). Occupancy costs have risen, and the company has faced challenges passing on increased property tax and insurance expenses to tenants, which has had an adverse impact on margins. Considering these factors, we anticipate a CAGR of ~5.3% for NOI from 2022 to 2028, exceeding inflation but falling short of our projections for peer companies.

Mallplaza has posted strong share price performance during the year, resulting in a tighter Fwd Cap Rate (8.8% versus 9% for Parque Arauco and 9.3% for Cencoshopp). Based on this, we believe that the entry point into other operators appears more attractive.

Stock Data

Ticker	mallplaz ci
Price (CLP)	1,282
Target (CLP)	1,600
Total Return	27.0%
LTM Range	773 - 1,395
M. Cap (USD mn)	2,819
Shares Outs. (mn)	1,960
Free Float	15%
ADTV (USD mn)	0.9

Price Chart (CLP) and Volumes (USD mn)



Valuation

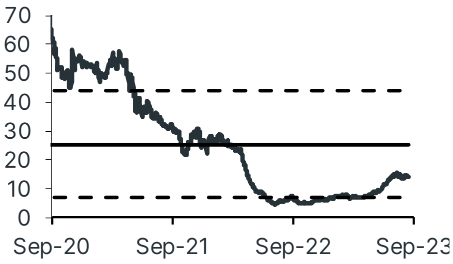
Our TP is based on a 50/50 valuation composed of a ten-year DCF model and a multiple valuation, in which we are assuming an 8.3% cap rate, implying an ~18% discount versus historical multiples, and a 16x P/FFO, implying a fair valuation versus historical multiples. The implicit cap rate of our TP 1,610 valuation reaches 7.8%, compared to the current 8.8% cap rate. We estimate 2023-2026 CAGRs of 6.8% and 1.1% for NOI and FFO, respectively.

Valuation Summary

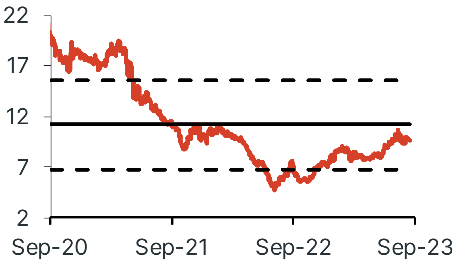
	2022	2023E	2024E	2025E
EV/EBITDA	11.4	11.7	11.0	10.4
P/E	15.4	8.5	9.8	9.3
P/CF	22.2	17.0	13.3	10.4
P/BV	0.9	1.0	0.9	0.9
Div. Yield	2.2%	2.4%	2.2%	3.4%

Sources: Company Reports and Credicorp Capital

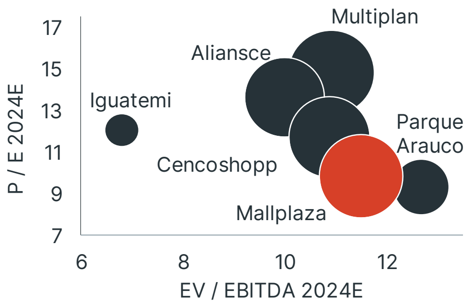
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



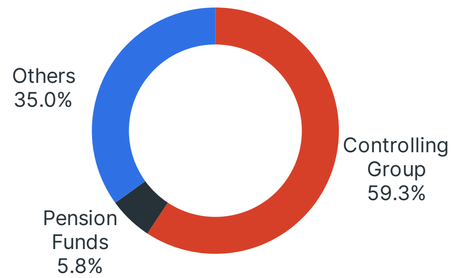
Contents

Mall Plaza

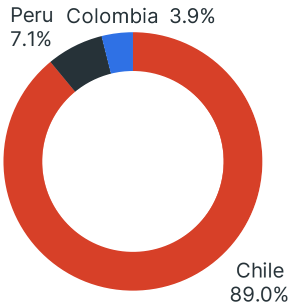
Company Description

Mall Plaza is a Chilean Real Estate developer and shopping mall operator, part of the Falabella Holding. Its portfolio includes 25 regional malls across Chile, Peru and Colombia, reaching to a total GLA of 1,890,000 sqm. The company is the largest operator in Chile in terms of revenues and GLA. Consolidated LTM revenues reach CLP 452 mn.

Ownership Structure



Revenue breakdown by country (LTM)



GLA breakdown by format (LTM)

Management

CEO: Fernando de Peña
CFO: Derek Schwietzer
IRO: Sebastian Machiavello
www.mallplaza.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	276,695	378,464	407,023	432,021	448,949
Gross Profit	184,605	291,776	338,895	375,858	395,075
EBITDA	208,621	282,699	310,023	330,704	348,324
Net Income	46,556	135,079	294,890	255,680	269,733
EPS (CLP)	24	69	150	130	138
Gross Margin	66.7%	77.1%	83.3%	87.0%	88.0%
EBITDA Margin	75.4%	74.7%	76.2%	76.5%	77.6%
Net Margin	16.8%	35.7%	72.5%	59.2%	60.1%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	125,053	301,790	284,916	302,415	67,587
Total Current Assets	264,627	538,685	445,139	477,132	249,504
Total Assets	3,584,130	4,513,943	4,697,870	4,851,134	4,753,402
Current Liabilities	226,924	217,902	129,333	114,720	105,186
Financial Debt	1,032,921	1,300,377	1,359,621	1,324,753	1,041,468
Total Liabilities	1,635,939	2,082,266	2,171,877	2,125,011	1,843,447
Minority Interest	149,010	168,378	22,871	22,871	22,871
Shareholders Equity	1,799,181	2,263,298	2,503,122	2,703,252	2,887,084
Total Liabilities + Equity	3,584,130	4,513,943	4,697,870	4,851,134	4,753,402
Net Debt /EBITDA	4.4	3.5	3.5	3.1	2.8
Financial Debt /EBITDA	5.0	4.6	4.4	4.0	3.0
Financial Debt /Equity	0.6	0.6	0.5	0.5	0.4
ROAE	2.6%	6.7%	12.4%	9.8%	9.6%
ROAA	1.3%	3.3%	6.4%	5.4%	5.6%
ROIC	4.7%	6.0%	6.4%	6.8%	6.9%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**202,650**	**125,053**	**301,790**	**284,916**	**302,415**
Cash Flow From Operations	146,638	264,356	405,892	228,601	275,283
CAPEX	-70,269	-113,146	-89,681	-38,406	-27,386
Changes in Financial Debt	-156,859	267,456	59,244	-34,868	-283,285
Dividends (Paid) Received	-8,774	-45,410	-60,785	-55,550	-85,901
Other CFI & CFF Items	11,667	-196,520	-331,544	-82,277	-113,539
Changes in Equity	0	0	0	0	0
Final Cash	**125,053**	**301,790**	**284,916**	**302,415**	**67,587**
Change in Cash Position	**-77,596**	**176,737**	**-16,874**	**17,498**	**-234,828**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Minsur

Equity Research Peru
Mining

Rating: Hold
TP: PEN 4.08

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Strong financial position and high dividend returns are expected

Investment Thesis

We are maintaining our Hold recommendation and adjusting our 2024YE TP slightly to PEN 4.08. In our TP revision we consider better forecasted tin and copper prices using a mix of DCF and relative valuation, but these effects are offset by lower-than-expected results, a higher discount rate and lower contributions from other business valuations.

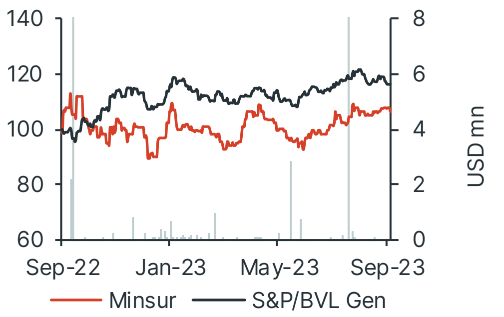
Results were affected by a halt in production at San Rafael for about 50 days, delays in the oxides plant ramp-up and inflationary pressures on costs and expenses. We now forecast stable tin production of 33.7 ktpy for 2023-2027 (prev. 33.6 ktpy) and copper production of 135 ktpy (prev. 139 ktpy) for the same period. We highlight that San Rafael returned to normal operating levels in 2Q23 as protests against the Peruvian government subsided. In addition, we expect the ramp-up of the Mina Justa oxides plant (62% in 2Q23) to finish by year-end. Regarding prices, we increased our 2023-2026 tin and copper price forecasts to 25,000-26,500 USD/t and 8,600-8,750 USD/t, respectively (prev. 25,000 USD/t and 8,300 USD/t). In the long term, we expect tin and copper prices of 27,000 USD/t and 8,800 USD/t, respectively (prev. 25,000 USD/t and 8,000 USD/t). We are less optimistic about costs, with treatment costs of 138 USD/t at San Rafael for 2023, which should have a downward trend to 125-120 USD/t for 2024-2027. While for Mina Justa, we expect treatment costs below 23 USD/t.

We expect EBITDA to reach USD 1.3/1.5/1.5/1.2/1.2 bn in 2023/24/25/26/27 and CAPEX to USD 220 mn on average. Thus, the company would deleverage to 0x ND/EBITDA by 2025, considering dividend payments of USD 170/350/300 mn for 2023/24/25.

Stock Data

Ticker	minsuri1 pe
Price (PEN)	3.90
Target (PEN)	4.08
Total Return	16.1%
LTM Range	3.28 - 4.14
M. Cap (USD mn)	3,040
Shares Outs. (mn)	961
Free Float	100%
ADTV (USD mn)	0.3

Price Chart (PEN) and Volumes (USD mn)



Valuation

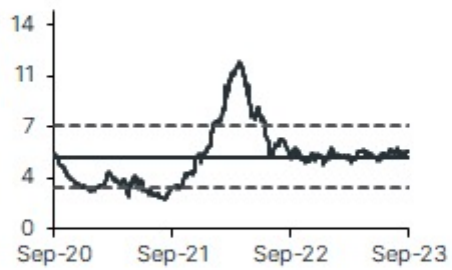
We consider a 60% DCF valuation (TP of PEN 3.70) and 40% EV/EBITDA valuation model (TP of PEN 4.65). For our DCF valuation (WACC 11.0%), we forecast the current operations until the end of operations at Mina Justa. The remaining resources of Pitinga and the Nazareth and Mina Marta projects are valued at 4% and 1% of their R&R value, respectively (20% of our DCF EV). In addition, we include the value of the company shares in Melon (cement business) at a 9.0x EV/EBITDA multiple (4% of our DCF EV). In our relative valuation, we value Minsur at 3.5x EV/EBITDA 2025E, 30% below its peers' valuations.

Valuation Summary

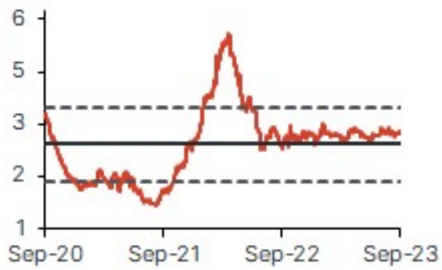
	2022	2023E	2024E	2025E
EV/EBITDA	3.7	4.0	3.6	3.5
P/E	5.4	5.7	5.1	5.0
P/CF	5.0	4.5	4.1	3.9
P/BV	1.7	1.6	1.4	1.2
Div. Yield	10.2%	5.6%	11.5%	9.9%

Sources: Company Reports and Credicorp Capital

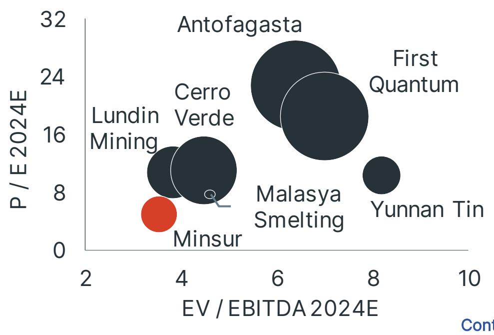
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

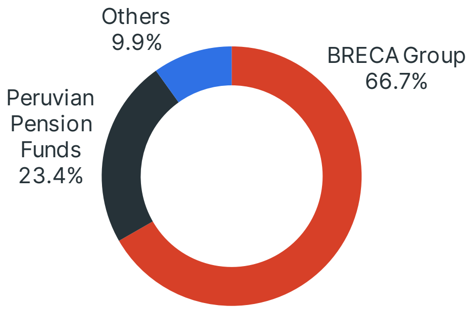


Minsur

Company Description

Minsur is the world's second-largest integrated tin producer, supplying around 8.6% 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.

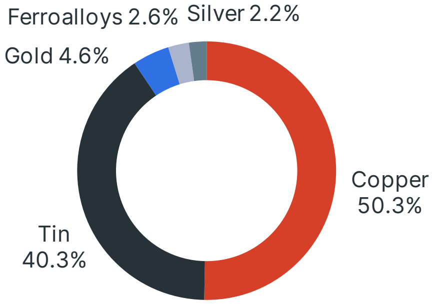
Ownership Structure (2022YE)



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	2,005	2,275	2,392	2,539	2,546
Gross Profit	1,361	1,314	1,361	1,503	1,512
EBITDA	1,410	1,345	1,335	1,486	1,511
Net Income	551	496	538	598	614
EPS (PEN)	0.19	0.17	0.19	0.21	0.21
Gross Margin	67.9%	57.8%	56.9%	59.2%	59.4%
EBITDA Margin	70.3%	59.1%	55.8%	58.5%	59.3%
Net Margin	27.5%	21.8%	22.5%	23.6%	24.1%

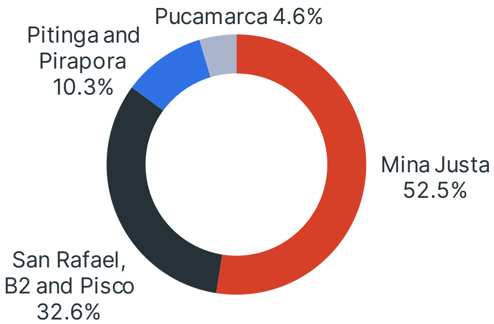
Revenue breakdown by metal (2024E)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	469	230	524	836	1,298
Total Current Assets	1,113	992	1,157	1,496	1,959
Total Assets	4,428	4,609	4,877	5,212	5,604
Current Liabilities	970	793	607	610	608
Financial Debt	1,640	1,353	1,313	1,313	1,313
Total Liabilities	2,566	2,403	2,232	2,237	2,234
Minority Interest	634	668	738	820	902
Shareholders Equity	1,227	1,539	1,906	2,155	2,469
Total Liabilities + Equity	4,428	4,609	4,877	5,212	5,604
Net Debt /EBITDA	0.8	0.8	0.6	0.3	0.0
Financial Debt /EBITDA	1.2	1.0	1.0	0.9	0.9
Financial Debt /Equity	1.3	0.9	0.7	0.6	0.5
ROAE	44.7%	35.9%	31.2%	29.5%	26.6%
ROAA	13.4%	11.0%	11.3%	11.9%	11.4%
ROIC	25.7%	22.6%	22.3%	24.3%	24.7%

Revenue breakdown by mining unit (2024E)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**257**	**469**	**230**	**524**	**836**
Cash Flow From Operations	938	791	831	976	1,078
CAPEX	-357	-350	-255	-229	-229
Changes in Financial Debt	193	-287	-40	0	0
Dividends (Paid) Received	-500	-274	-170	-350	-300
Other CFI & CFF Items	1	-217	-71	-86	-86
Changes in Equity	-63	99	0	0	0
Final Cash	**469**	**230**	**524**	**836**	**1,298**
Change in Cash Position	**212**	**-239**	**294**	**311**	**463**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Luis Kruger

CFO: Joaquin Larrea

IR: Benjamin Vidal

www.minsur.com

CredicorpCapital

Minsur

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

Fixed Income Research Peru
Mining

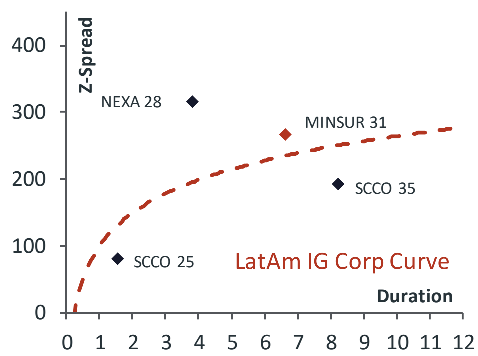
Josefina Valdivia - jvaldivia@credicorpcapital.com

Solid story with IG-aligned credit metrics

Investment Thesis

The expected upgrade to a full IG company has been ruled out for now after S&P revised Minsur's rating outlook to stable from positive on the inherent sensitivity of its operations to Peru's political and social instability. However, we continue to see Minsur as a solid credit on the back of its strong credit metrics that are in line with an IG rating, its increasing copper production and its efficient cost structure. We believe bonds are fairly priced trading at 75 bps over SCCO 35, compared to a LTM average of 81 bps, and 20 bps wider than Nexa, compared to a LTM average of 17 bps.

Minsur Bonds and comparables



Credit Data

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

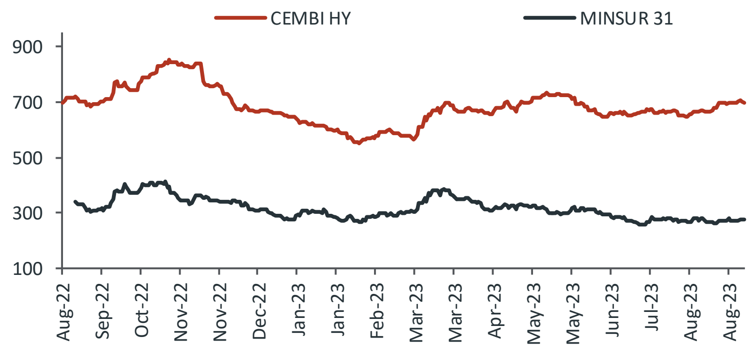
Concerns

- Exposure to metal price volatility inherent to the sector
- Operations concentrated in one country
- Potential increase in mining conflicts in Peru

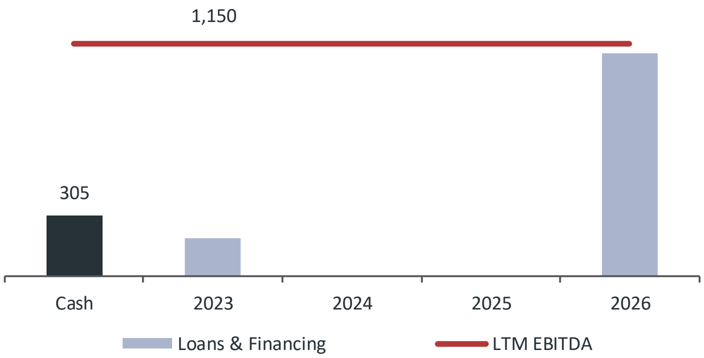
Strengths

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

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
MINSUR 31	USD 500mn	4.5%	NR / BB+ / BBB-	265	6.7	86.4	0.4%	6.7%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

Nexa Resources

Equity Research Peru
Mining

Rating: Hold
TP: USD 7.36

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Lowering TP due to the decline in zinc prices, delay in Aripuana's ramp-up and cost pressures

Investment Thesis

We are changing our recommendation from Buy to Hold as we have lowered our 2024YE TP to USD 7.36 and believe there are more compelling investments. Our lower TP is due to lower-than-expected results, lower zinc prices, lower production guidance, higher costs and fewer projects. On the other hand, better by-product prices and the inclusion of EV/EBITDA valuation partially offset the aforementioned effects on the TP.

The results were affected by declining zinc prices, delays and higher costs in Aripuana's ramp-up, weather events that affected production and higher maintenance and energy costs. For the 2023-2025 period, we expect zinc prices to recover from current levels to 2,650-2,750 USD/t (prev. ~3,000) and copper and silver prices of 8,650 USD/t and 23.5 USD/oz, respectively. For the mining segment, zinc equivalent production with 2023E prices should increase from 553 kt in 2022 to 585/623/651 kt in 2023/2024/2025, with Aripuana reaching nameplate capacity by 1Q24 (prev. in 1H23) and contributing 17%/19% of production and 11%/16% of Nexa's EBITDA in 2024/2025. For the smelters, zinc metal sales should be 593 ktpy. In addition, Nexa should be able to deliver mining production costs below 45.2 USD/t but should report conversion costs above 683 USD/t for its smelters in the upcoming years.

We expect EBITDA to decline in 2023 to USD 382 mn and recover to USD 574/640 mn in 2024/2025, and thus we forecast that the ND/EBITDA leverage indicator will reach 3.7x in 2023 and then decrease to 1.8x by 2025, with lower CAPEX of ~250 mn in 2024/2025 after Aripuana's completion and no cash requirements until 2027 on bond maturities.

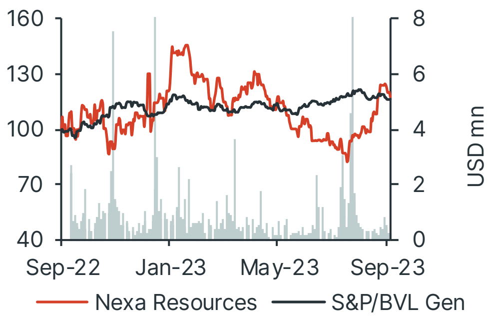
Valuation

We consider a 60% DCF (TP of USD 6.5) and 40% relative valuation (RV) model (TP USD 8.6). Through our DCF, Peruvian mines account for 22% of our EV (WACC 10.9%), Brazilian mines for 29% (WACC 12.4%), Cajamarquilla for 40% (WACC 10.9%); 8% is related to projects (at 1% of their R&R value), 1% to equity investments, and a minor contribution from the Brazilian smelters (WACC 12.4%) considering the relatively high costs and our conservative assumptions on zinc prices. In our RV, we value Nexa at a 4.2x EV/EBITDA 2025E multiple, in line with its ~22% 5-year historical discount against its peers.

Stock Data

Ticker	nexa us
Price (USD)	6.07
Target (USD)	7.36
Total Return	23.7%
LTM Range	4.25 - 7.51
M. Cap (USD mn)	804
Shares Outs. (mn)	132
Free Float	35%
ADTV (USD mn)	0.8

Price Chart (USD) and Volumes (USD mn)

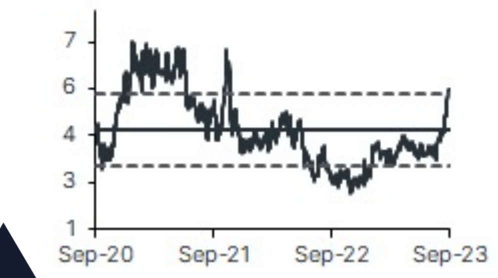


Valuation Summary

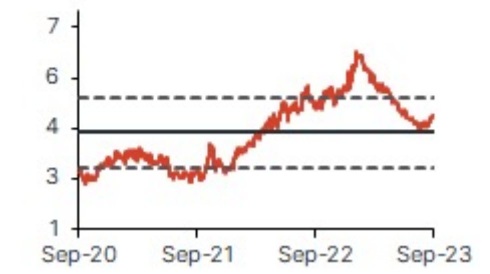
	2022	2023E	2024E	2025E
EV/EBITDA	2.8	5.8	3.9	3.5
P/E	16.3	nm	7.8	5.4
P/CF	4.0	22.1	2.9	2.5
P/BV	0.6	0.6	0.6	0.6
Div. Yield	9.3%	3.1%	2.4%	6.4%

Sources: Company Reports and Credicorp Capital

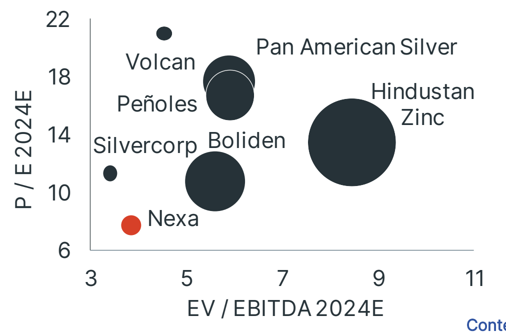
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

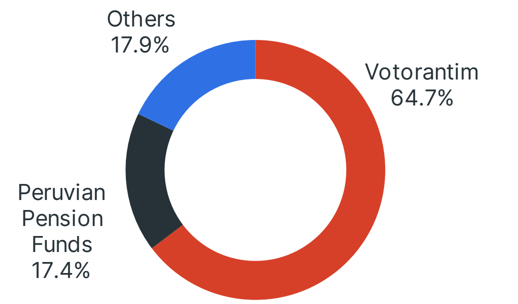


Nexa Resc.

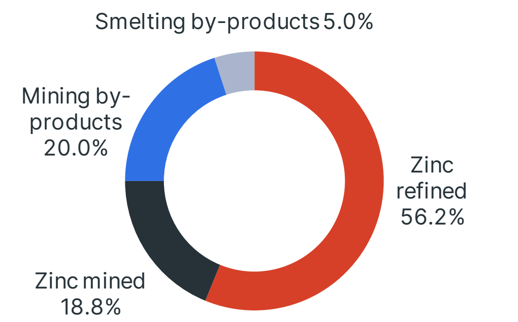
Company Description

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, Morro Agudo, 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.

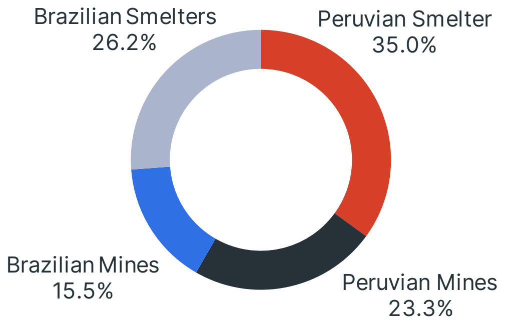
Ownership Structure (2022YE)



Revenue breakdown by metal (2024E)



Revenue breakdown by segment (2024E)



Management

CEO: Ignacio Rosado

CFO: Jose Carlos del Valle

HIR: Rodrigo Cammarosano

ri.nexaresources.com

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	2,622	3,034	2,480	2,531	2,589
Gross Profit	633	639	303	474	561
EBITDA	744	760	382	574	640
Net Income	114	49	-175	104	148
EPS (USD)	0.86	0.37	-1.32	0.78	1.12
Gross Margin	24.1%	21.1%	12.2%	18.7%	21.7%
EBITDA Margin	28.4%	25.1%	15.4%	22.7%	24.7%
Net Margin	4.4%	1.6%	-7.1%	4.1%	5.7%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	763	516	225	239	306
Total Current Assets	1,473	1,220	862	856	923
Total Assets	4,905	4,892	4,558	4,518	4,561
Current Liabilities	989	899	884	814	758
Financial Debt	1,719	1,674	1,644	1,538	1,470
Total Liabilities	3,261	3,182	3,081	2,943	2,870
Minority Interest	258	268	234	249	269
Shareholders Equity	1,386	1,442	1,242	1,326	1,423
Total Liabilities + Equity	4,905	4,892	4,558	4,518	4,561
Net Debt /EBITDA	1.3	1.5	3.7	2.3	1.8
Financial Debt /EBITDA	2.3	2.2	4.3	2.7	2.3
Financial Debt /Equity	1.2	1.2	1.3	1.2	1.0
ROAE	8.3%	3.5%	-13.1%	8.1%	10.8%
ROAA	2.3%	1.0%	-3.7%	2.3%	3.3%
ROIC	8.7%	4.4%	-1.4%	7.5%	9.1%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	1,121	763	516	225	239
Cash Flow From Operations	493	267	106	374	412
CAPEX	-508	-381	-309	-249	-245
Changes in Financial Debt	-331	-45	-30	-106	-68
Dividends (Paid) Received	-52	-75	-25	-20	-52
Other CFI & CFF Items	40	-13	-34	15	20
Changes in Equity	0	0	0	0	0
Final Cash	763	516	225	239	306
Change in Cash Position	-358	-247	-291	15	67

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Orazul

Fixed Income Research Peru
Utilities

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

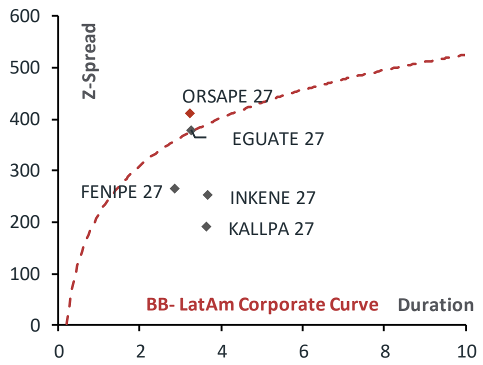
Sandra Loyola - sloyola@credicorpcapital.com

Solid results on good business profitability; an eye on potential El Niño impact

Investment Thesis

We remain constructive on the bond in the medium term as we feel comfortable with the positive impact of the new pure hydro matrix on profitability along with an attractive carry (YTW: 8.7%). However, we highlight that some volatility may arise from disruptions in the rainy season if the El Niño phenomenon hits Peru later this year. The impact will vary depending on the behavior of Orazul's specific river flows, which so far have not been materially affected. Orazul even increased its dispatch during the month of July (+13% y/y) in contrast to the trend of the system. It is important to keep in mind that the group will be looking for potential buyers to take over Orazul as part of I Squared Capital's divestment strategy. Given that any downgrade derived from a change of control would trigger a repurchase of bonds at 100, we feel that bondholders' interests are protected. We remain Neutral on the name due to a fair spread versus KALLPA 27 of 230 bps.

ORAZUL Bonds and comparables



Credit Data

REG-S Notes

Outstanding Senior Notes

Closest Call Date

Closest Maturity Date

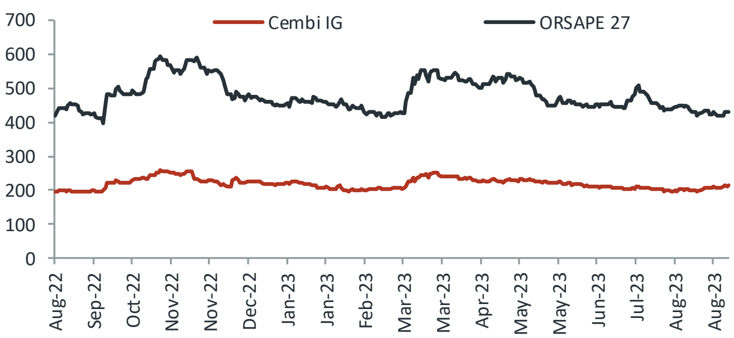
Concerns

- Hydrology risk (100% hydro)
- Expected change of control amid the ongoing divestment strategy of the holding company

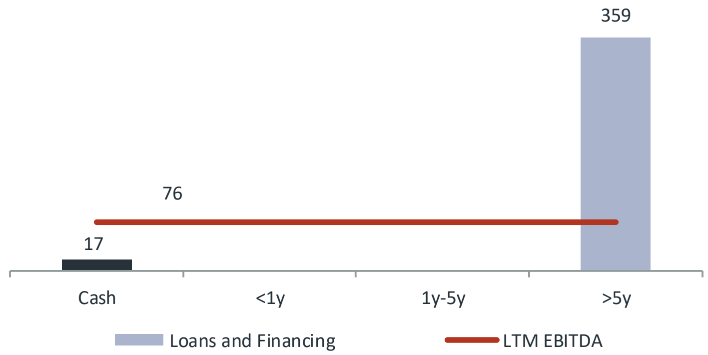
Strengths

- High operating margins in the hydroelectric generation business
- Comfortable debt amortization profile
- Positive impact from higher structural spot price

Z- Spread evolution



Debt Maturity Profile



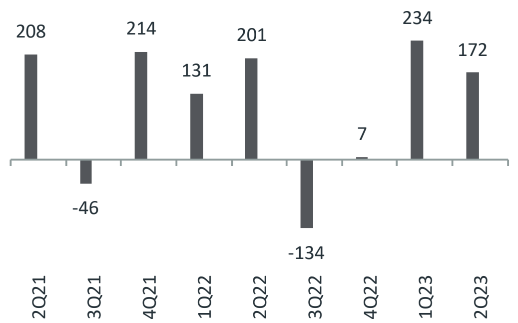
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
ORSAPE 27	USD 363mn	5.63%	BB-	408.9	3.2	91.3	0.5%	8.5%	Neutral

Orazul

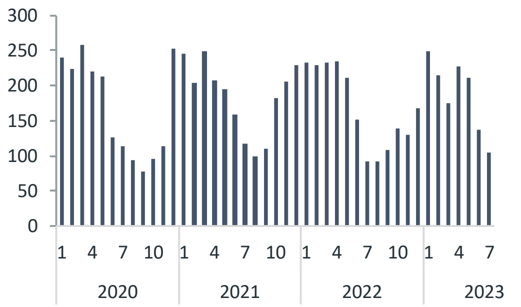
Company Description

Orazul Energy Peru is a power generation company that owns and operates two hydroelectric plants with a combined capacity of 376 MW (Carhuaquero in Cajamarca and Cañon del Pato in Ancash). Orazul is 94% contracted and has an average remaining life of PPAs of 6.2 years. Orazul is indirectly owned by certain funds managed by I Squared Capital Advisors (US) LLC.

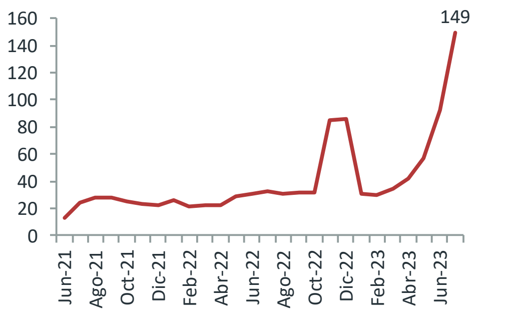
Net Selling Position Spot Market (GWh)



Orazul's Generation (GWh)



System's Average Spot Price ($/MW)



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	2.5x	2.4x	2.1x	2.9x	3.1x
Gross Debt / EBITDA	5.1x	6.0x	4.4x	4.7x	4.6x
Net Debt / EBITDA	4.7x	4.3x	4.2x	4.5x	4.1x
Net Debt / Equity	2.5x	0.9x	0.7x	0.4x	0.4x
ST Debt / Gross Debt	0%	0%	0%	0%	0%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	152	135	117	107	113
Gross Profit	77	71	64	68	64
EBIT	68	64	60	64	59
Financial Expenses	42	37	39	26	25
EBITDA	105	91	81	76	78
Gross Margin	50%	53%	55%	64%	56%
EBITDA Margin	69%	67%	69%	71%	69%
Net Margin	12%	97%	-57%	27%	24%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	41	153	21	17	38
Current Liabilities	71	190	42	37	60
Total Assets	965	1,075	915	1,179	1,198
Current Liabilities	0	0	0	0	0
Total Liabilities	765	626	405	386	381
Equity	200	448	510	792	817
Net Debt	500	390	338	343	322
Gross Debt	541	543	359	360	360
Short Term Debt	0	0	0	0	0
Long Term Debt	541	543	359	359	360
ROAE	9%	29%	-13%	4%	3%
ROAA	2%	12%	-7%	2%	2%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	102	77	79	75	70
Investing Activities	-17	135	17	-6	-7
Financing Activities	-95	-99	-227	-73	-60

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Parque Arauco

Rating: Buy
TP: CLP 1,800

Equity Research Chile
Real Estate

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Still weighing flight-to-quality trend

Investment Thesis

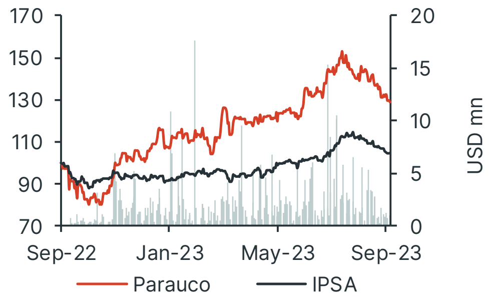
We are revising our recommendation to Buy and updating our 2024E TP to CLP 1,800/share, suggesting a ~49% upside from current levels, in addition to an expected 3.2% dividend yield for 2024E. We have a positive view regarding Parque Arauco's fundamentals. We expect a 6.8% CAGR for NOI for the 2022-2028 period, which is above inflation levels and above our estimates for peers, mainly driven by: i) a strong exposure to leading shopping malls in the region (Parque Arauco Kennedy and Arauco Maipú in Chile, Megaplaza Independencia in Peru and Parque La Colina in Colombia account for ~55% of the company's NOI), whose attractive locations and positioning in the market should continue to guarantee good traffic and solid occupancy levels going forward, and ii) an 11% increase in GLA on the back of brownfield projects in Chile, a greenfield development in Peru (Parque La Molina) and the incorporation of the multifamily assets across the region. We highlight that, according to our estimates, the company should be able to reach the highest NOI growth despite the fact that it is not the operator with the greatest GLA expansion plan, which, in our view, reflects Parque Arauco's strong flight-to-quality approach without having much execution risk.

Diversification is a plus, and leverage is not an issue. Only ~50% of Parque Arauco's GLA is represented by regional malls, ~60% of its revenues come from Chile, and its strong expertise across the Andean region should enable it to monetize the opportunities that surround the region, especially in Peru and Colombia. Leverage is not an issue for us as the company has mentioned several times that it feels comfortable with ~5x net debt/EBITDA levels. Parque Arauco is currently trading at a 9% 12M Fwd cap rate, well below the ~7% historical average for the company and the sector. Based on this, we believe that current valuations leave space for monetizing our positive outlook.

Stock Data

Ticker	parauco ci
Price (CLP)	1,205
Target (CLP)	1,800
Total Return	52.6%
LTM Range	750 - 1,430
M. Cap (USD mn)	1,224
Shares Outs. (mn)	906
Free Float	68%
ADTV (USD mn)	2.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

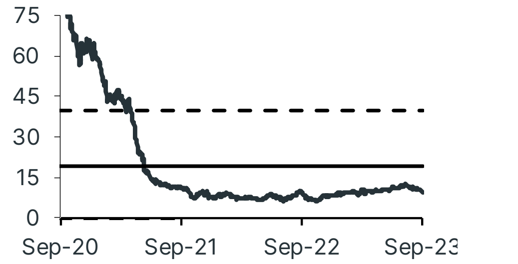
Our TP is based on a 50/50 valuation composed of a ten-year DCF model and a multiple valuation, in which we are assuming an ~8.5% cap rate and a 16x P/FFO, implying discounts versus historical multiples of 16% and 18%, respectively. The implicit cap rate of our TP 1,800 valuation is 7%, compared to the current 9% cap rate. We estimate 2023-2026 CAGRs of 6.1% and 4.6% for EBITDA and FFO, respectively.

Valuation Summary

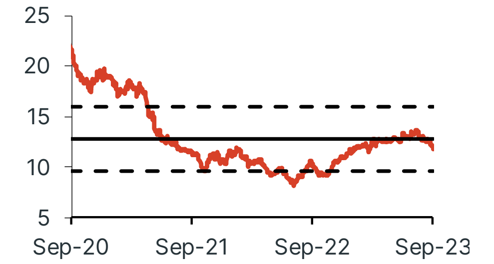
	2022	2023E	2024E	2025E
EV/EBITDA	12.9	13.1	12.2	11.7
P/E	9.7	10.2	9.3	9.1
P/CF	39.4	41.1	49.6	12.9
P/BV	0.9	0.9	0.8	0.8
Div. Yield	3.4%	3.1%	3.2%	3.8%

Sources: Company Reports and Credicorp Capital

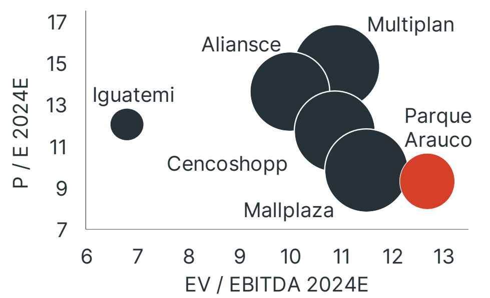
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



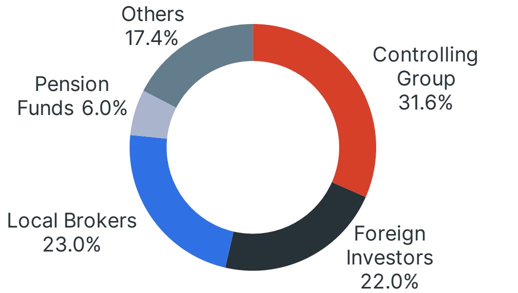
Contents

Parauco

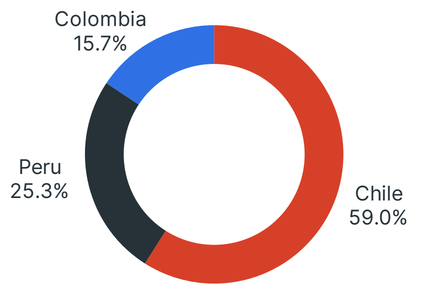
Company Description

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 1,123,500 sqm, of which they own 1,013,270 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.

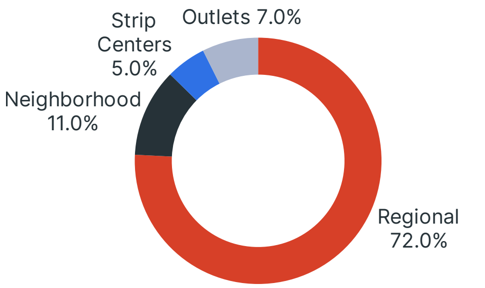
Ownership Structure



Revenue breakdown by country (LTM)



GLA breakdown by format (LTM)



Management

CEO: Eduardo Perez
CFO: Francisco Moyano
IRO: Laren Brown
www.parauco.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	169,859	231,156	258,431	270,802	283,648
Gross Profit	132,897	187,993	209,354	223,964	233,284
EBITDA	119,008	160,440	179,097	192,367	200,188
Net Income	23,438	101,032	107,156	117,229	119,364
EPS (CLP)	26	112	118	129	132
Gross Margin	78.2%	81.3%	81.0%	82.7%	82.2%
EBITDA Margin	70.1%	69.4%	69.3%	71.0%	70.6%
Net Margin	13.8%	43.7%	41.5%	43.3%	42.1%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	298,662	243,043	351,381	367,723	256,303
Total Current Assets	368,698	316,128	436,816	456,970	354,025
Total Assets	2,775,898	2,938,211	3,227,399	3,441,319	3,464,080
Current Liabilities	169,075	191,652	485,197	511,583	532,184
Financial Debt	1,101,516	1,151,630	1,320,258	1,430,624	1,373,315
Total Liabilities	1,485,635	1,582,146	1,752,297	1,869,788	1,812,601
Minority Interest	212,838	211,136	229,571	244,132	245,747
Shareholders Equity	1,077,425	1,144,929	1,245,531	1,327,398	1,405,732
Total Liabilities + Equity	2,775,898	2,938,211	3,227,399	3,441,319	3,464,080
Net Debt /EBITDA	6.7	5.7	5.4	5.5	5.6
Financial Debt /EBITDA	9.3	7.2	7.4	7.4	6.9
Financial Debt /Equity	1.0	1.0	1.1	1.1	1.0
ROAE	2.3%	9.1%	9.0%	9.1%	8.7%
ROAA	0.9%	3.5%	3.5%	3.5%	3.5%
ROIC	4.0%	5.7%	5.9%	5.9%	5.7%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**358,927**	**298,662**	**243,043**	**351,381**	**367,723**
Cash Flow From Operations	50,309	81,722	97,766	103,089	93,798
CAPEX	-85,427	-94,148	-108,728	-126,313	-58,493
Changes in Financial Debt	-117,336	50,114	168,628	110,366	-57,309
Dividends (Paid) Received	-6,230	-33,889	-33,340	-35,361	-41,030
Other CFI & CFF Items	98,420	-59,419	-15,988	-35,439	-48,385
Changes in Equity	0	0	0	0	0
Final Cash	**298,662**	**243,043**	**351,381**	**367,723**	**256,303**
Change in Cash Position	**-60,265**	**-55,619**	**108,338**	**16,342**	**-111,420**

Sources: Company Reports and Credicorp Capital

PERU LNG

Fixed Income Research Peru
O&G

B2 / NR / B+
Outlook: s / nr / s

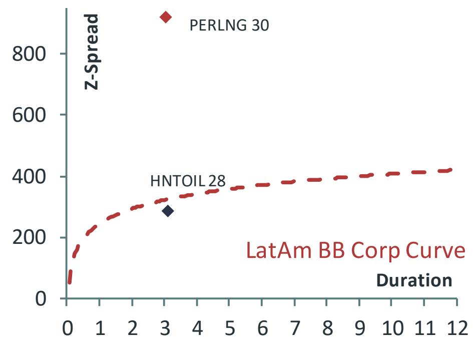
Josefina Valdivia - jvaldivia@credicorpcapital.com

Liquidity concerns are increasing

Investment Thesis

Peru LNG's results have been impacted this year by lower international LNG prices and a one-month plant shutdown. This forced the company to revise its EBITDA expectations to USD 101-108 mn, down from USD 210-224mn expected three months ago, which implies a negative EBITDA figure of ~-USD 6 mn for the remainder of the year. The weak operational figures have raised concerns about the company's liquidity going forward, especially considering the upcoming bond amortizations (starting Sep-24). These concerns have been reflected in bond prices, but we believe the strategic significance of the asset for shareholders and its track record of receiving support during periods of constrained liquidity should support the current discounted trading levels. We remain Neutral.

PERU LNG Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 940MM
Closest Call Date	-
Closest Maturity Date	22-03-2030

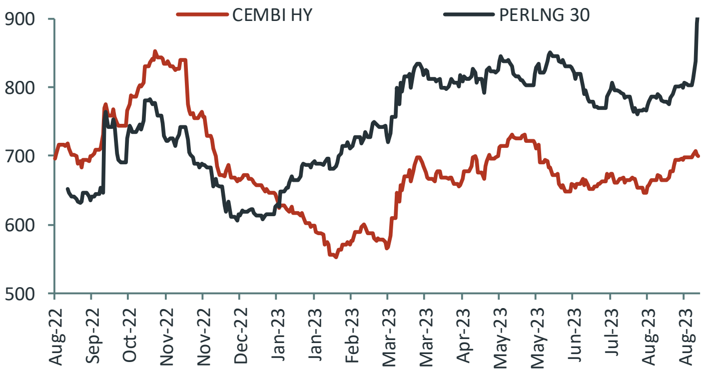
Concerns

- Exposure to natural gas prices volatility due to the structure of the contract with the off-taker
- Off-taker and asset concentration
- Weak LNG price momentum

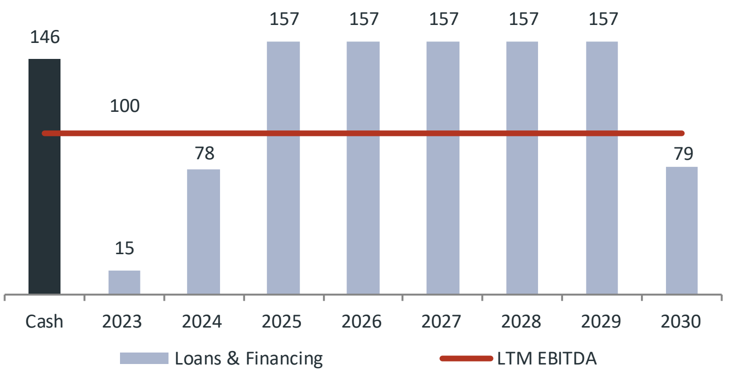
Strengths

- Strategic asset for the Peruvian economy.
- Strong shareholder support

Z- Spread evolution



Debt Maturity Profile



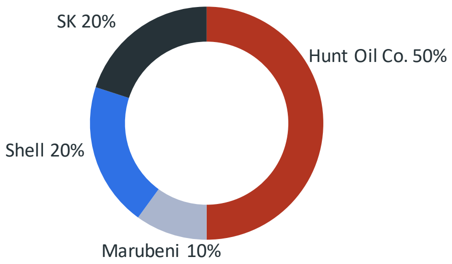
Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
PERLNG 30	USD 940mn	5.38%	B2 / NR / B+	921	3.0	77.1	0.6%	13.6%	Neutral

PERU LNG

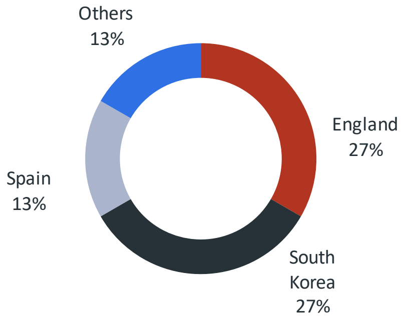
Company Description

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.

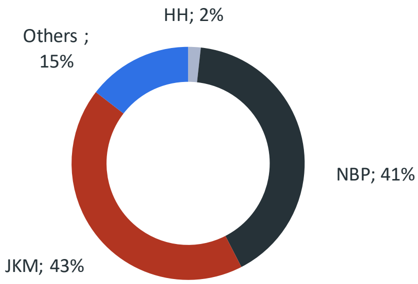
Ownership Structure



Destinations cargos



Sales Volumes Breakdown by Marker



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	1.8x	1.1x	3.0x	7.0x	2.4x
Gross Debt / EBITDA	10.6x	18.2x	6.8x	3.0x	9.5x
Net Debt / EBITDA	9.0x	15.5x	6.2x	1.8x	8.1x
Net Debt / Equity	0.6x	0.7x	0.8x	0.5x	0.7x
ST Debt / Gross Debt	0%	1%	6%	1%	1%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	496	457	1,609	3,179	2,079
Gross Profit	-2	-43	143	299	28
EBIT	-61	-97	-4	211	-52
Financial Expenses	50	46	48	46	42
EBITDA	88	52	146	321	100
Gross Margin	0%	-9%	9%	9%	1%
EBITDA Margin	18%	11%	9%	10%	5%
Net Margin	-16%	-22%	-2%	4%	-2%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	137	139	89	385	146
Current Liabilities	216	324	638	666	406
Total Assets	2,531	2,450	2,675	2,583	2,261
Current Liabilities	163	271	541	481	197
Total Liabilities	1,205	1,315	1,586	1,416	1,133
Equity	1,326	1,135	1,089	1,167	1,128
Net Debt	796	809	910	566	805
Gross Debt	933	948	999	951	951
Short Term Debt	1	14	64	16	15
Long Term Debt	932	934	935	935	936
ROAE	-6%	-9%	-3%	11%	-5%
ROAA	-3%	-4%	-1%	5%	-2%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	56	5	-55	282	-194
Investing Activities	-6	-6	-24	-22	-15
Financing Activities	0	0	29	-47	-57

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Quiñenco

Equity Research Chile
Conglomerates

Rating: Hold
TP: CLP 2,800

Marco Zúñiga - mzunigac@credicorpcapital.com

Quiñenco's fair holding discount and subsidiaries performance adjustment

Investment Thesis

We have revised our rating to Hold with a target price of CLP 2,800. Over the past year, Quiñenco's shares have demonstrated a strong performance, resulting in a holding discount of nearly 28%. This discount is below the ten-year average of 37% and the three-year average of 42%. Consequently, we believe the discount is justified, so the potential for stock price appreciation is somewhat limited.

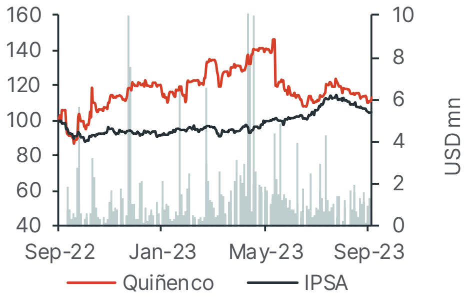
Furthermore, we have issued Hold recommendations for most of its subsidiaries, except for SM SAAM, for which we have a Buy rating. Additionally, we anticipate that its subsidiaries will report a normalization of their results, particularly its key subsidiaries (Banco de Chile and Vapores). We anticipate a significant downward normalization in Vapores's profits becoming evident in the second half of this year. As for Banco de Chile, we also predict a decline in its earnings in 2024, estimated to be around 17%, which could limit significant upward movement in the stock price.

Nevertheless, we recognize the advantages of being a diversified holding company with exposure to companies expected to pay substantial dividends. We estimate dividend yields of 24% for SM SAAM driven by asset sales, 39% for Vapores due to tax refunds from the German government and 9% for Banco de Chile due to its robust earnings this year. As a result, we estimate that Quiñenco's stock will offer a dividend yield of 19% (we expect the dividend to be close to CLP 500/sh).

Stock Data

Ticker	quinenc ci
Price (CLP)	2,670
Target (CLP)	2,800
Total Return	23.7%
LTM Range	2,050 - 3,451
M. Cap (USD mn)	4,981
Shares Outs. (mn)	1,663
Free Float	17%
ADTV (USD mn)	1.2

Price Chart (CLP) and Volumes (USD mn)



Valuation

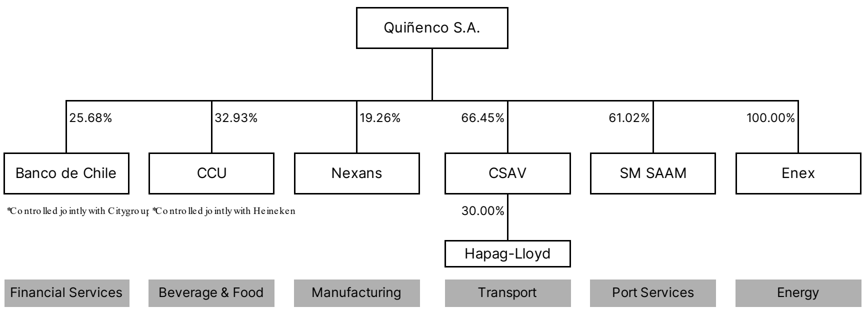
Our valuation of Quiñenco is based on a sum-of-the-parts model to which we apply a one-year average holding discount of 29%. We use a Residual Net Income (RNI) valuation model for Banco de Chile (34.8% of Quiñenco's equity value), ten-year DCF valuation models for CCU (11.8%), SM SAAM (8.4%), and Vapores (26.9%), and multiple valuations for nexans (8.9%), Enex (6.5%), Techpack (1.7%) and Other Assets (1%).

Valuation Summary

	2022	2023E	2024E	2025E
EV/EBITDA	nm	nm	nm	nm
P/E	1.4	6.4	14.8	nm
P/CF	nm	nm	nm	nm
P/BV	0.7	nm	nm	nm
Div. Yield	16.3%	23.9%	18.8%	6.7%

Sources: Company Reports and Credicorp Capital

Ownership structure



Rating Risk of Quiñenco

AA / Stable

Dividen Policy of main subsidiaries

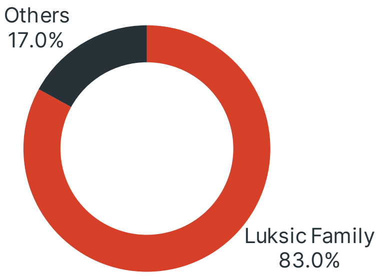
	Div Pol.	Ownership
Banco de Chile	60%	26%
CCU	50%	33%
SM SAAM	30%	60%

Quiñenco

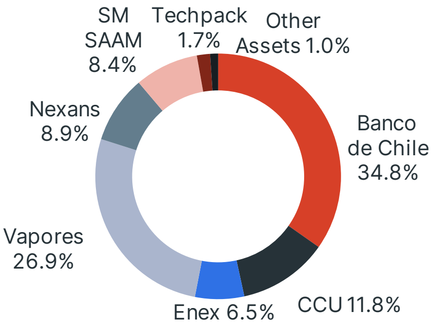
Company Description

Quiñenco S.A. is the holding company of the Luksic family and is one of the largest and most diversified economic groups in Chile, with presence in 129 countries on five continents. The conglomerate, through its subsidiaries, operates in financial services (Banco de Chile), food & beverages (CCU), manufacturing (Invexans), transport (Vapores/Hapag-Lloyd), port & shipping services (SM SAAM) and energy (Enex). The company has 30% of its operations outside Chile through important alliances with Citibank, Heineken, Shell and SSA Marine.

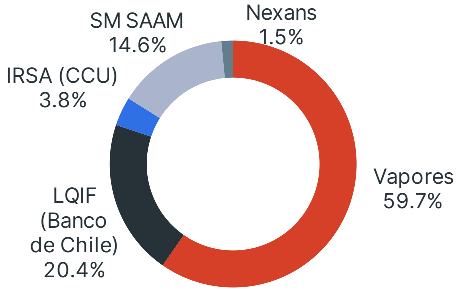
Ownership Structure



Quiñenco´s Equity Value Breakdown (Target)



Dividend breakdown from subsidiaries (2024)



Valuation

underlying assets	Method	Stake	Quiñenco's Equity Valu	% of Quiñenco
Banco de Chile	RNI	25.7%	2,646,490	34.8%
CCU	DCF/Mult	32.9%	900,540	11.8%
Enex	4.3 EV/EBIT	100.0%	492,028	6.5%
Nexans	Mult	19.3%	678,072	8.9%
Vapores	DCF/Mult	66.5%	2,046,262	26.9%
SM SAAM	DCF/Mult	61.0%	639,715	8.4%
Techpack	1.0x BV	100.0%	132,268	1.7%
Other Assets	1.0x BV	100.0%	79,792	1.0%
Total Equity from subsidiaries			**7,615,167**	
Debt			1,574,720	
Cash			822,545	
SG&A perpetuity			302,391	
Total Equity Value Quiñenco			**6,560,602**	
Quiñenco's Shares (mn)			1,663	
Target Price (w/o discount)			3,946	
Holding Discount			-29.0%	
Target Price (w/discount) 2024YE			2,800	
Upside			7.7%	
Div Yield 2024E			19.4%	
Total Return			27.1%	

Income Statement

CLP bn	2021	2022	2023E	2024E	2025E
Profits to shareholders	1,893	3,535	698	299	364

CLP bn	2018	2019	2020	2021	2022
Revenues Industrial Sector	2,799	3,010	2,574	3,478	4,891
Revenues Banking Sector	1,593	1,668	1,476	1,857	3,117
Consolidated Revenues	4,392	4,678	4,050	5,335	8,008
Consolidated Net Income	180	210	247	1,893	3,535
Consolidated EBITDA	910	1,016	894	1,262	2,010

Sources: Company Reports and Credicorp Capital

Management

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

CredicorpCapital

Ripley

Rating: Hold
TP: CLP 230

Equity Research Chile
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

2024 growth saga: a challenging narrative of slower recovery

Investment Thesis

We are introducing a YE2024 TP of CLP 230 with a Hold rating. While we maintain our belief that Ripley's earnings will eventually improve, potentially leading to one of the most robust net income growth rates among retailers next year, it is important to acknowledge that 2Q23 proved to be weaker than anticipated. Furthermore, there exists a possibility of another negative EBITDA figure in 3Q23, contingent on the recovery trajectory of D. Stores in Chile and the banking sector in Peru, both of which currently lack a clear turning point.

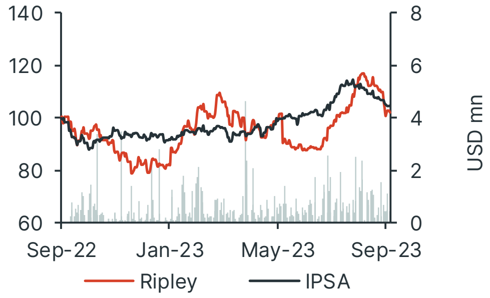
Our concern is particularly pronounced when it comes to the performance of Ripley in Peru. In 2Q23, the cost of risk for the bank in Peru saw a substantial escalation, surpassing both pre-pandemic and 1Q23 levels, reaching an alarming 14.9% (compared to 12.9% in 1Q23). It is essential to underscore the non-negligible risk factor posed by the El Niño phenomenon in this specific context. Conversely, we hold a slightly more optimistic outlook for Chile, anticipating improved results for both the bank and D. Stores in 4Q23.

On a positive note, there are several reasons for optimism: i) Valuation remains highly discounted, trading at an attractive P/BV ratio. ii) The opening of Iquitos (46,500 GLA) and San Juan de Lurigancho (57,500 GLA) in 3Q23 and 4Q23, respectively, are expected to contribute over CLP 10 bn to EBITDA. iii) Efforts to control SG&A expenses are yielding positive results. iv) The omnichannel strategy appears to be effective as evidenced by robust growth in 3P, partly driven by an increase in sellers. v) Inventory management seems under control, offering potential relief to gross margins. vi) Following the sale of Nuevos Desarrollos, we expect leverage to normalize in 2024. All in, we hold a favorable view of Ripley, but we anticipate that shares will continue to face pressure, and we prefer to wait for a more favorable entry point.

Stock Data

Ticker	ripley ci
Price (CLP)	173
Target (CLP)	230
Total Return	33.1%
LTM Range	134 - 198
M. Cap (USD mn)	375
Shares Outs. (mn)	1,936
Free Float	48%
ADTV (USD mn)	0.6

Price Chart (CLP) and Volumes (USD mn)



Valuation

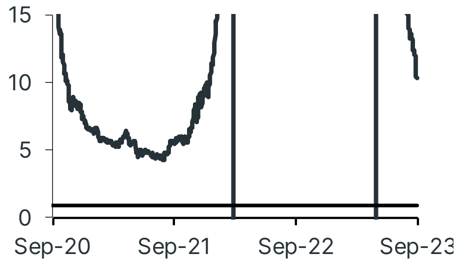
Our TP is based on a SOTP valuation model. We are using a ten-year DCF valuation for the retail business, a ten-year residual income model for the financial business and a multiple valuation for the real estate business. The retail business accounts for CLP -193/share. The financial business accounts for CLP 243/share with a P/loans of 0.3x, while malls account for CLP 303/share. Corporate costs represented ~14% of consolidated EBITDA in 2022. Assuming they have grown at the rate of inflation, they account for CLP -104/share.

Valuation Summary

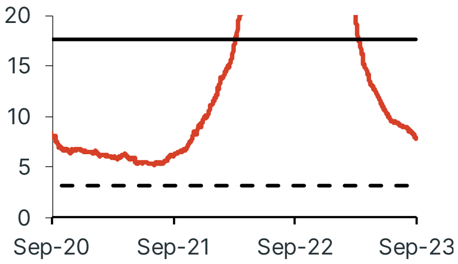
	2022	2023E	2024E	2025E
EV/EBITDA	11.6	43.5	6.6	6.3
P/E	12.6	nm	7.4	7.2
P/CF	-3.2	6.0	4.5	13.3
P/BV	0.3	0.4	0.3	0.3
Div. Yield	3.6%	11.6%	0.0%	4.0%

Sources: Company Reports and Credicorp Capital

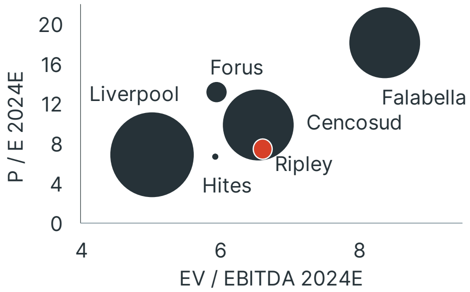
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



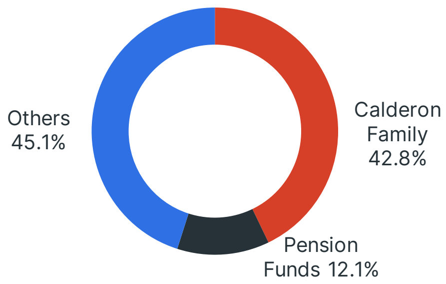
Contents

Ripley

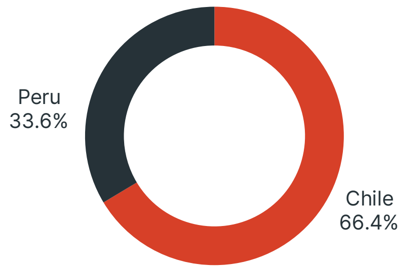
Company Description

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 (~1.4 mn active clients, CLP 1.2 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 2.3 bn.

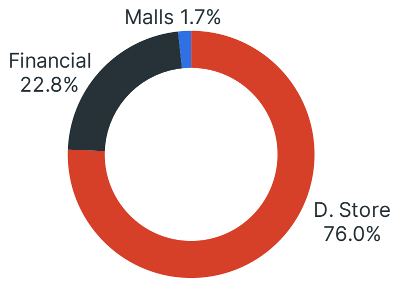
Ownership Structure



Revenue breakdown by country (LTM)



Revenue breakdown by business (LTM)



Management

CEO: Lazaro Calderon

CFO: Werner Geissbulher

IRO: Veronica Bawarshi

www.ripley.cl

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	2,062,197	2,074,702	1,970,707	2,060,450	2,142,042
Gross Profit	688,770	622,305	568,333	700,043	731,443
EBITDA	197,396	85,470	22,727	149,168	157,215
Net Income	79,316	21,350	-43,100	45,027	46,462
EPS (CLP)	41	11	-22	23	24
Gross Margin	33.4%	30.0%	28.8%	34.0%	34.1%
EBITDA Margin	9.6%	4.1%	1.2%	7.2%	7.3%
Net Margin	3.8%	1.0%	-2.2%	2.2%	2.2%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	535,391	437,132	322,246	148,218	175,731
Total Current Assets	1,613,585	1,809,329	1,528,479	1,293,071	1,453,456
Total Assets	3,537,036	3,865,280	3,603,308	3,340,300	3,467,960
Current Liabilities	1,556,665	1,694,582	1,772,174	1,696,579	1,737,127
Financial Debt	1,789,392	2,129,487	1,974,979	1,742,979	1,779,578
Total Liabilities	2,564,805	2,853,106	2,688,131	2,380,141	2,475,055
Minority Interest	225	417	622	576	369
Shareholders Equity	972,006	1,011,757	914,556	959,583	992,537
Total Liabilities + Equity	3,537,036	3,865,280	3,603,308	3,340,300	3,467,960
Net Debt /EBITDA	6.4	19.8	72.7	10.7	10.2
Financial Debt /EBITDA	9.1	24.9	86.9	11.7	11.3
Financial Debt /Equity	1.8	2.1	2.2	1.8	1.8
ROAE	8.5%	2.2%	-4.5%	4.8%	4.8%
ROAA	2.2%	0.6%	-1.2%	1.3%	1.4%
ROIC	5.0%	-1.3%	-1.1%	2.2%	2.4%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**768,604**	**535,391**	**437,132**	**322,246**	**148,218**
Cash Flow From Operations	-3,411	-395,818	153,374	101,472	44,069
CAPEX	-36,499	-37,126	-52,543	-43,454	-39,440
Changes in Financial Debt	-176,662	340,095	-154,508	-232,000	36,600
Dividends (Paid) Received	-27,105	-9,680	-38,721	0	-13,508
Other CFI & CFF Items	10,463	4,271	-22,489	-45	-208
Changes in Equity	0	0	0	0	0
Final Cash	**535,391**	**437,132**	**322,246**	**148,218**	**175,731**
Change in Cash Position	**-233,213**	**-98,258**	**-114,886**	**-174,027**	**27,512**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Salfacorp

Rating: Buy
TP: CLP 530

Equity Research Chile
Cement & Construction

Marco Zúñiga - mzunigac@credicorpcapital.com

Buy recommendation bolstered by resilient performance, robust project backlog and upward investment trend

Investment Thesis

We are upgrading our recommendation to Buy and introducing a target price of CLP 530. Valuations appear notably discounted, trading at a 12-month forward P/E of just 6.6x, which is equivalent to a 28% discount compared to the past five years. However, we believe these valuations are not justified. Firstly, political and regulatory risks have considerably subsided with the rejection of the constitutional project and the approval of the mining royalty. Investment prospects are on the upswing, evident in the 28% q/q increase in Chilean investment portfolios, according to the CBC's latest quinquennial report. This is particularly pronounced in the mining sector. Looking ahead, the company is poised for strong results in 2024, buoyed by a substantial backlog reported by ICSA. Additionally, the real estate sector may gradually improve as decreasing mortgage interest rates stimulate demand. Improved access and reduced financing costs will further bolster project profitability.

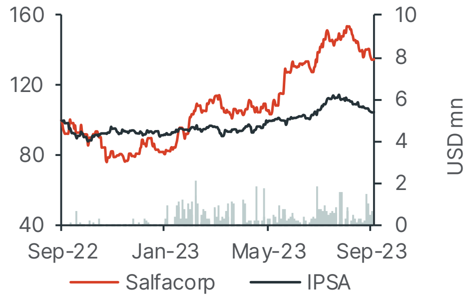
Solid performance is anticipated for 2024, with ICSA reporting a CLP 927 bn backlog and Aconcagua boasting a real estate sales backlog of CLP 173 bn. Aconcagua will also benefit from DS49 project execution, with a backlog of CLP 198 bn. We expect profits to reach 30 bn.

Notably, the approval of Centinela is expected to boost ICSA's project backlog by approximately 50%, offering a significant short-term catalyst as we revise profit projections upward for the coming years.

Stock Data

Ticker	salfacor ci
Price (CLP)	423
Target (CLP)	530
Total Return	30.7%
LTM Range	239 - 482
M. Cap (USD mn)	261
Shares Outs. (mn)	550
Free Float	75%
ADTV (USD mn)	0.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

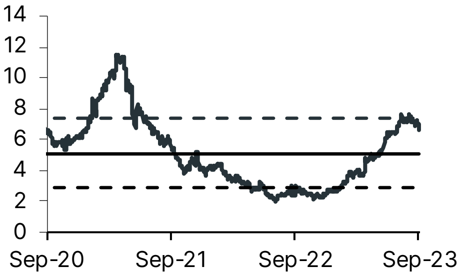
We believe that the significant discounts in EV/EBITDA 12m Fwd (-28%) and EV/EBITDA 12m Fwd (-40%) compared to their five-year averages are not justified, considering the reduced political risk, improvements in mining investment prospects, and the high backlog that the company maintains. This suggests that the company is likely to report solid results next year.

Valuation Summary

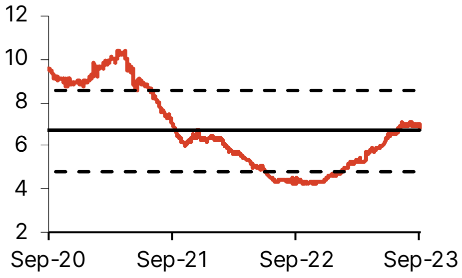
	2022	2023E	2024E	2025E
EV/EBITDA	7.2	8.3	10.3	10.4
P/E	3.3	4.6	6.5	6.2
P/CF	27.3	3.6	5.5	7.7
P/BV	0.3	0.5	0.5	0.5
Div. Yield	7.8%	4.6%	5.3%	3.8%

Sources: Company Reports and Credicorp Capital

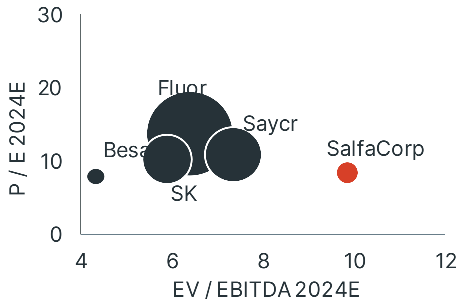
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

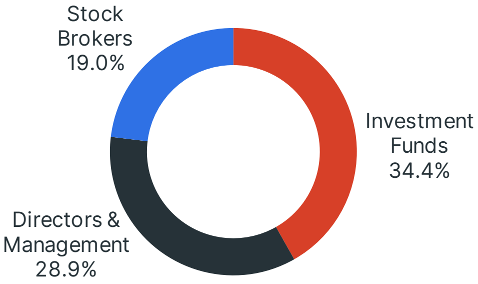


Salfacorp

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 Units are Engineering and Construction, Aconcagua Real Estate and Rentas Desarrollo Inmobiliario. It offers specialties such as assembly, industrial maintenance, subway mining, earthmoving, drilling and blasting, civil works, maritime works, construction and development of real estate projects.

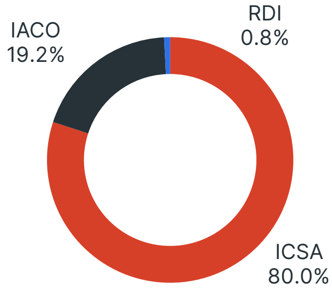
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	712,764	829,374	931,696	806,197	781,349
Gross Profit	72,399	92,292	102,178	85,205	87,074
EBITDA	51,598	72,828	81,633	65,924	65,257
Net Income	30,813	35,635	41,080	29,276	30,917
EPS (CLP)	68	79	91	65	69
Gross Margin	10.2%	11.1%	11.0%	10.6%	11.1%
EBITDA Margin	7.2%	8.8%	8.8%	8.2%	8.4%
Net Margin	4.3%	4.3%	4.4%	3.6%	4.0%

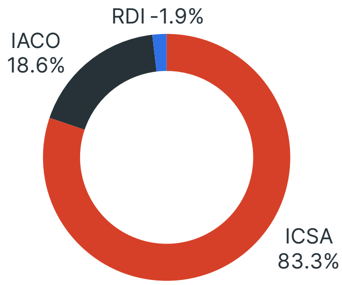
Revenue breakdown by concept (LTM2Q23)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	94,071	86,222	55,902	64,496	62,508
Total Current Assets	449,877	555,601	523,990	510,845	499,792
Total Assets	1,233,438	1,354,629	1,376,611	1,361,022	1,351,020
Current Liabilities	513,405	600,765	639,541	587,204	564,027
Financial Debt	450,121	489,687	465,496	451,087	435,257
Total Liabilities	827,255	926,965	893,572	861,044	828,917
Minority Interest	1,643	-37	1,155	1,142	1,134
Shareholders Equity	404,539	427,701	481,884	498,836	520,970
Total Liabilities + Equity	1,233,438	1,354,629	1,376,611	1,361,022	1,351,020
Net Debt /EBITDA	6.9	5.5	5.0	5.9	5.7
Financial Debt /EBITDA	8.7	6.7	5.7	6.8	6.7
Financial Debt /Equity	1.1	1.1	1.0	0.9	0.8
ROAE	7.8%	8.6%	9.0%	6.0%	6.1%
ROAA	2.7%	2.8%	3.0%	2.1%	2.3%
ROIC	4.1%	6.2%	5.9%	4.4%	4.5%

EBIT breakdown by business LTM2Q23



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**70,100**	**94,071**	**86,222**	**55,902**	**64,496**
Cash Flow From Operation:	94,071	86,222	55,902	64,496	62,508
CAPEX	-22,305	-9,430	-18,060	-13,456	-16,756
Changes in Financial Debt	23,375	39,567	-24,191	-14,409	-15,830
Dividends (Paid) Received	-4,126	-9,245	-10,691	-12,324	-8,783
Other CFI & CFF Items	-67,044	-114,963	-58,280	-15,712	-23,127
Changes in Equity	0	0	25,000	0	0
Final Cash	**94,071**	**86,222**	**55,902**	**64,496**	**62,508**
Change in Cash Position	**23,971**	**-7,850**	**-30,320**	**8,594**	**-1,988**

Sources: Company Reports and Credicorp Capital

Management

CEO: Jorge Meruane

CFO: José Luis Sánchez

IRO: Juan Pablo Reitze

www.salfacorp.com

CredicorpCapital

Sigdo Koppers

Rating: Buy
TP: CLP 1,600

Equity Research Chile
Industrial

Marco Zúñiga - mzunigac@credicorpcapital.com

Undervalued stocks, resilient subsidiaries and a brightened investment landscape

Investment Thesis

We are maintaining our Buy rating and introducing our 2024 YE target price of CLP 1,600, implying a return of approximately 30%, including dividends. We continue to view the shares as undervalued, especially considering our expectation of improved prospects in the Chilean mining investment landscape. Furthermore, we anticipate that Enaex and Magotteaux will continue to deliver solid results. The stock also offers an attractive dividend yield, supported by a healthy balance sheet and the consistent cash generation of its subsidiaries.

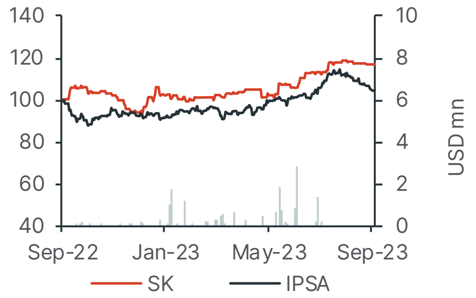
Despite the normalization of results observed in Enaex and Magotteaux, we anticipate that the strong performance of these subsidiaries will persist. Moreover, the successful consolidation of operations in Australia and South Africa has translated into robust performance in international operations. On another note, SKC is also expected to report strong earnings due to the solid performance of its machinery rental business. Finally, we expect ICSK to show improved results as financial expenses decrease and the arbitration with Arauco is resolved. If resolved favorably, we anticipate a reduction in debt levels, subsequently lowering the financial costs of this subsidiary. Additionally, the approval of the Centinela project could act as an additional driver for the subsidiary's results.

The company will continue to seek inorganic growth opportunities. Recent acquisitions include a 51% stake in Sasol's explosives business, full ownership of Downer Blasting Services and a 36% interest in Grinding Media South Africa.

Stock Data

Ticker	sk ci
Price (CLP)	1,270
Target (CLP)	1,600
Total Return	30.3%
LTM Range	1,012 - 1,290
M. Cap (USD mn)	1,532
Shares Outs. (mn)	1,075
Free Float	26%
ADTV (USD mn)	0.1

Price Chart (CLP) and Volumes (USD mn)



Valuation

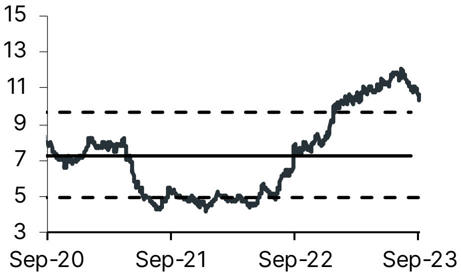
Compared to its five-year average, SK's shares are trading at a 10% discount in terms of P/E and a 5% discount in terms of EV/EBITDA 2024E. We believe the stock has room for appreciation, considering the positive outlook for its businesses, international exposure, high dividends, and inorganic growth. Therefore, we believe we could witness a cycle of increased activity in the mining sector.

Valuation Summary

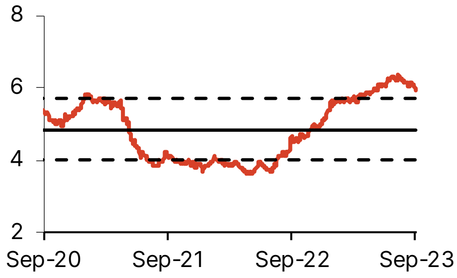
	2022	2023E	2024E	2025E
EV/EBITDA	5.3	5.9	5.7	5.6
P/E	6.7	11.0	9.3	9.3
P/CF	-26.5	13.7	4.0	4.6
P/BV	1.0	1.0	1.0	0.9
Div. Yield	7.7%	6.7%	4.3%	5.1%

Sources: Company Reports and Credicorp Capital

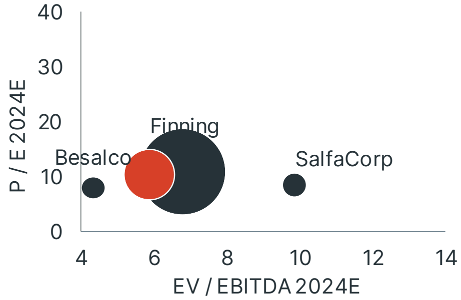
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

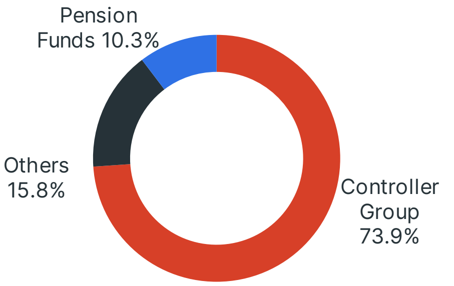


SK

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 SKBerge (car dealership).

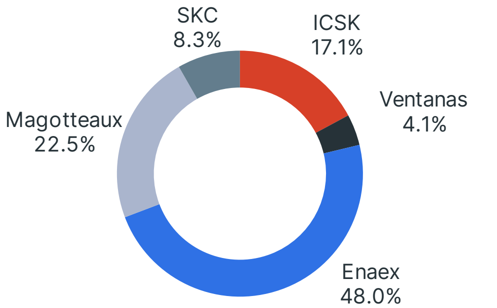
Ownership Structure



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	3,097	3,946	3,844	3,610	3,663
Gross Profit	618	809	808	800	805
EBITDA	432	575	531	550	563
Net Income	160	217	139	165	165
EPS (CLP)	127	172	116	137	137
Gross Margin	20.0%	20.5%	21.0%	22.2%	22.0%
EBITDA Margin	14.0%	14.6%	13.8%	15.2%	15.4%
Net Margin	5.2%	5.5%	3.6%	4.6%	4.5%

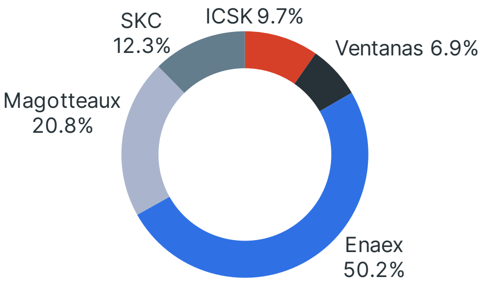
Revenue breakdown by concept (LTM2Q23)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	342	389	331	433	476
Total Current Assets	1,466	2,045	2,005	1,999	2,066
Total Assets	3,958	4,587	4,801	4,795	4,828
Current Liabilities	1,026	1,431	1,440	1,399	1,407
Financial Debt	1,196	1,478	1,635	1,540	1,448
Total Liabilities	2,179	2,610	2,788	2,652	2,569
Minority Interest	456	508	508	541	570
Shareholders Equity	1,323	1,468	1,504	1,603	1,690
Total Liabilities + Equity	3,958	4,587	4,801	4,795	4,828
Net Debt /EBITDA	2.0	1.9	2.5	2.0	1.7
Financial Debt /EBITDA	2.8	2.6	3.1	2.8	2.6
Financial Debt /Equity	0.9	1.0	1.1	1.0	0.9
ROAE	12.1%	15.6%	9.4%	10.6%	10.0%
ROAA	4.1%	5.1%	3.0%	3.4%	3.4%
ROIC	8.6%	11.6%	8.7%	9.1%	9.2%

EBITDA breakdown by business LTM2Q23



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**504**	**342**	**389**	**331**	**433**
Cash Flow From Operations	193	-67	189	384	317
CAPEX	-130	-149	-301	-152	-134
Changes in Financial Debt	-56	282	157	-96	-92
Dividends (Paid) Received	-113	-112	-103	-66	-78
Other CFI & CFF Items	-56	93	0	32	29
Changes in Equity	0	0	0	0	0
Final Cash	**342**	**389**	**331**	**433**	**476**
Change in Cash Position	**-162**	**47**	**-58**	**103**	**43**

Sources: Company Reports and Credicorp Capital

Management

CEO: Juan Pablo Aboitiz
CFO: Andrés Barriga
IRO: Slaven Ilic
www.sigdokoppers.cl

CredicorpCapital

SM SAAM

Equity Research Chile
Transport

Rating: Buy
TP: CLP 110

Marco Zúñiga - mzunigac@credicorpcapital.com

Unlocking value with SM SAAM's growth strategy and attractive dividend yield

Investment Thesis

We reaffirm our "BUY" recommendation and introduce a target price of CLP 110 per share. Further, we anticipate a dividend of CLP 24 per share, offering investors a total return potential of 34%. Despite the stock trading at a nearly 30% discount compared to its industry peers, we find it undervalued. Our optimism is underpinned by the company's robust earnings momentum, which we expect to persist in the coming quarters, driven by strong revenue growth and stable margins. Additionally, we emphasize the stock's attractive dividend yield of approximately 22% and the promising growth prospects in the towing and Aerosan businesses, which are poised to significantly enhance the company's performance.

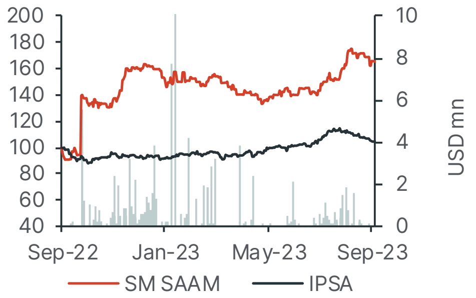
In the short term, we anticipate substantial dividend distributions from the company, thanks to its ample liquidity following the divestiture of port assets. Should the company maintain a 60% payout policy, shareholders can expect an approximate CLP 24 per share dividend.

The company is poised to expedite the expansion of its towing and air logistics operations. SM SAAM boasts a robust capital structure and a favorable history of successful mergers and acquisitions (M&A). We firmly believe that inorganic growth will play a pivotal role in this new phase, with any developments in this domain potentially acting as significant drivers for the stock. Notably, recent acquisitions, including the integration of Starnav assets, have exemplified the company's proficiency in efficiently managing operations stemming from these strategic acquisitions.

Stock Data

Ticker	smsaam ci
Price (CLP)	99
Target (CLP)	110
Total Return	37.8%
LTM Range	55 - 105
M. Cap (USD mn)	1,084
Shares Outs. (mn)	9,737
Free Float	48%
ADTV (USD mn)	0.5

Price Chart (CLP) and Volumes (USD mn)



Valuation

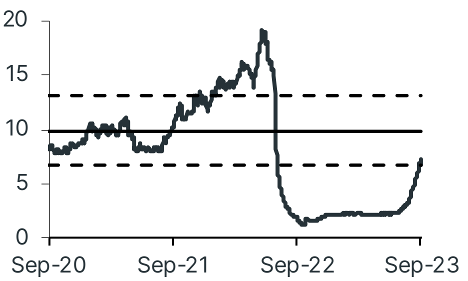
As for the company's shares, we believe they are discounted. In our comparison with similar companies, the average trading EV/EBITDA multiple stands at 7x. Furthermore, as per our findings, recent transactions carried out by the company would have been conducted at multiples in the range of ~7-8x EV/EBITDA. Hence, valuing the tugboat business at a similar EV/EBITDA multiple appears reasonable. Currently, SMSAAM shares are trading at 5.0 EV/EBITDA 12 m FWD.

Valuation Summary

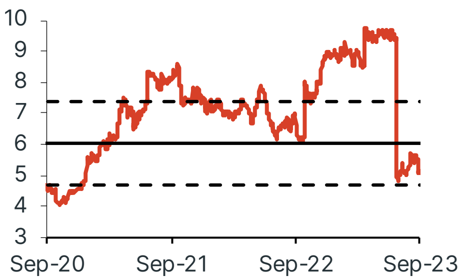
	2022	2023E	2024E	2025E
EV/EBITDA	10.7	10.1	8.7	7.4
P/E	22.8	2.3	24.1	23.1
P/CF	-95.1	-6.2	-11.2	-15.9
P/BV	1.3	0.9	1.1	1.1
Div. Yield	1.0%	4.4%	26.9%	3.1%

Sources: Company Reports and Credicorp Capital

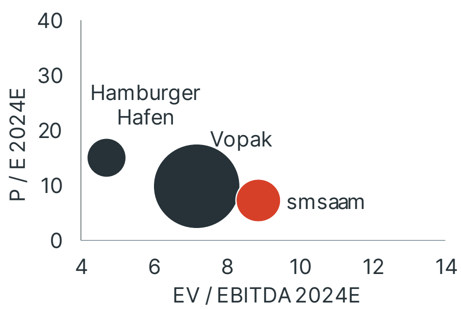
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

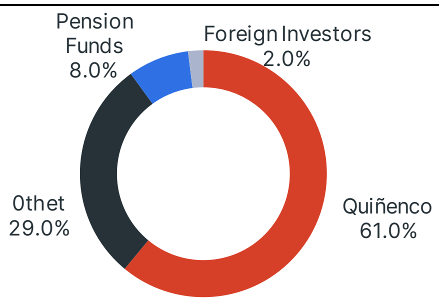


SM SAAM

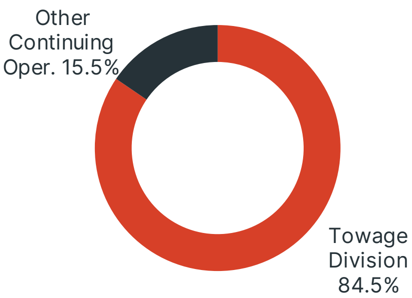
Company Description

SM SAAM provides port and offshore towage services, and logistics services in 12 countries in the Americas. The towage division is the largest operator in the Americas and the third largest globally. The logistics segment provides airport services to exporters and importers. The company is controlled by Quiñenco (Luksic Group).

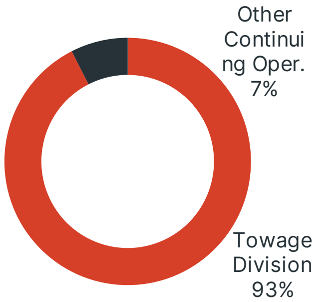
Ownership Structure



Revenue breakdown by concept (2022)



EBITDA breakdown by business 2022



Management

CEO: Macario Valdés
CFO: Rafael Ferrada
IR: Jorge Cuellar
www.saam.com

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	748	462	526	596	669
Gross Profit	245	137	163	195	221
EBITDA	268	147	170	196	230
Net Income	79	48	477	45	47
EPS (CLP)	7	4	44	4	4
Gross Margin	32.7%	29.6%	30.9%	32.6%	33.1%
EBITDA Margin	35.8%	31.8%	32.2%	32.9%	34.4%
Net Margin	10.5%	10.4%	90.6%	7.5%	7.0%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	324	142	763	358	201
Total Current Assets	529	961	952	565	426
Total Assets	1,839	1,890	2,105	1,879	1,889
Current Liabilities	252	448	150	158	166
Financial Debt	720	549	585	615	605
Total Liabilities	983	1,014	783	817	813
Minority Interest	54	54	72	58	58
Shareholders Equity	803	822	1,251	1,004	1,017
Total Liabilities + Equity	1,839	1,890	2,105	1,879	1,889
Net Debt /EBITDA	1.5	2.8	-1.1	1.3	1.8
Financial Debt /EBITDA	2.7	3.7	3.4	3.1	2.6
Financial Debt /Equity	0.9	0.7	0.5	0.6	0.6
ROAE	9.7%	5.9%	46.0%	4.0%	4.6%
ROAA	4.4%	2.6%	23.9%	2.3%	2.5%
ROIC	7.5%	2.7%	4.3%	5.3%	4.9%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**318**	**324**	**142**	**763**	**358**
Cash Flow From Operation:	248	166	937	131	148
CAPEX	-188	-149	-311	-250	-250
Changes in Financial Debt	21	-171	35	30	-10
Dividends (Paid) Received	-43	-11	-48	-292	-34
Other CFI & CFF Items	-33	-18	8	-25	-11
Changes in Equity	0	0	0	0	0
Final Cash	**324**	**142**	**763**	**358**	**201**
Change in Cash Position	**6**	**-182**	**621**	**-405**	**-157**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

SMU

Rating: Buy
TP: CLP 240

Equity Research Chile
Retail

Carolina Ratto - cratto@credicorpcapital.com
María Ignacia Flores - miflores@credicorpcapital.com

Still one of our favorites. Safe bet with solid growth and an appealing dividend yield

Investment Thesis

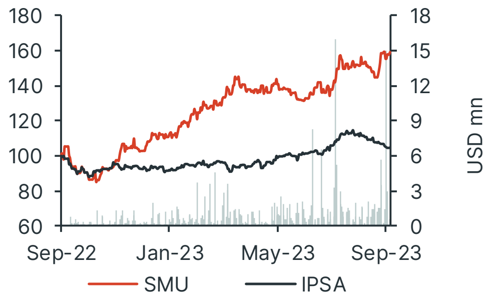
We are maintaining our Buy rating and updating our 2024E TP to CLP 240, suggesting a ~45% upside from current levels, in addition to an expected 6.8% dividend yield for 2024E. SMU's shares have displayed exceptional performance over the past year, outperforming every retailer in the IPSA index. We expect this positive trend to persist, driven by several key factors: i) Despite increasingly challenging comparison bases, we anticipate strong resilience in the company's financial results, especially in the context of ongoing macro complexities. With a substantial 30% exposure to discount formats and a strategic positioning in Unimarc focused on "high-low" pricing, we expect these factors to continue driving significant foot traffic to stores. ii) The company has actively pursued cost-efficiency initiatives, including increasing the penetration of private label products, automating processes at stores and DCs, and implementing personnel restructuring plans. These efforts have successfully maintained margins at the 9% level. We also see the potential for positive surprises in the coming years as the company continues its pursuit of efficiency. iii) The company is resuming its store growth, primarily driven by the Montserrat agreement. It has an ambitious capex plan for 2023-2025, involving the opening of 58 new stores across different banners and the remodeling of another 78 stores. These expansion efforts are expected to drive above-inflation growth while mitigating fixed cost dilution, contributing to the maintenance of EBITDA margin target levels.

We believe these factors not only explain the current market excitement surrounding the company but also suggest that this positive sentiment is likely to persist. On the valuation front, the company continues to trade at a discounted valuation, with an NTM EV/EBITDA multiple of 6.5x, representing a ~23% discount compared to historical multiples. Furthermore, regular quarterly dividend distributions should serve as a short-term catalyst for the stock.

Stock Data

Ticker	smu ci
Price (CLP)	165
Target (CLP)	240
Total Return	52.3%
LTM Range	88 - 165
M. Cap (USD mn)	1,068
Shares Outs. (mn)	5,773
Free Float	44%
ADTV (USD mn)	1.0

Price Chart (CLP) and Volumes (USD mn)



Valuation

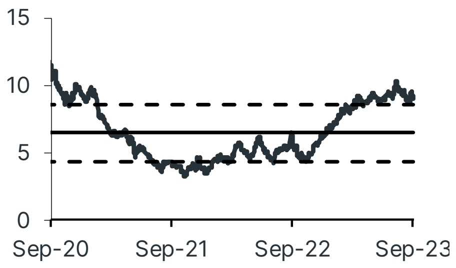
Our TP is based on a 50/50 valuation composed of a ten-year DCF model and a multiple valuation. Our DCF valuation has an implicit exit multiple of EV/EBITDA 7x for the terminal value. We have also adjusted our WACC to ~11.2%, incorporating a higher risk-free rate but a lower country risk. Our multiple valuation incorporates a 7x EV/EBITDA multiple and a 15x P/E multiple, in line with historical multiples for the company. We estimate 2023-2026 CAGRs of 5.8% and 5.1% for revenues and EBITDA, respectively.

Valuation Summary

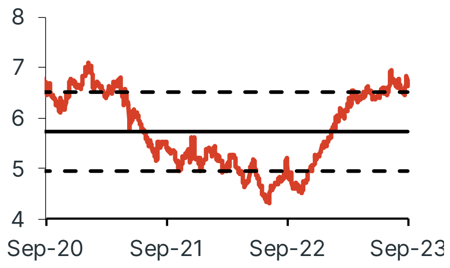
	2022	2023E	2024E	2025E
EV/EBITDA	6.0	6.6	6.4	5.9
P/E	5.1	10.3	8.3	7.4
P/CF	3.1	4.1	5.7	5.2
P/BV	0.9	1.2	1.1	1.1
Div. Yield	14.5%	9.7%	6.8%	9.4%

Sources: Company Reports and Credicorp Capital

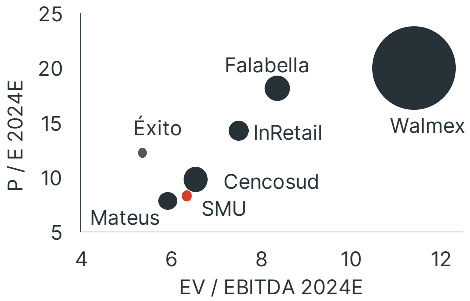
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

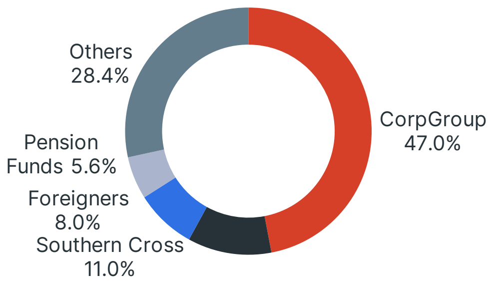


SMU

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 (287 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 3.3 bn).

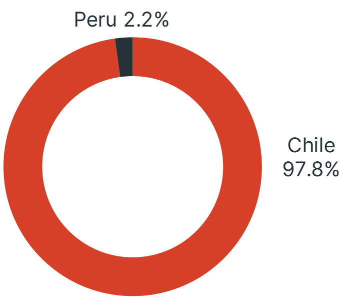
Ownership Structure



Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	2,501,455	2,826,314	2,935,150	3,069,931	3,312,362
Gross Profit	732,536	835,295	893,784	929,264	1,001,654
EBITDA	229,112	266,332	276,336	286,019	307,072
Net Income	75,704	132,058	92,298	115,051	127,964
EPS (CLP)	13	23	16	20	22
Gross Margin	29.3%	29.6%	30.5%	30.3%	30.2%
EBITDA Margin	9.2%	9.4%	9.4%	9.3%	9.3%
Net Margin	3.0%	4.7%	3.1%	3.7%	3.9%

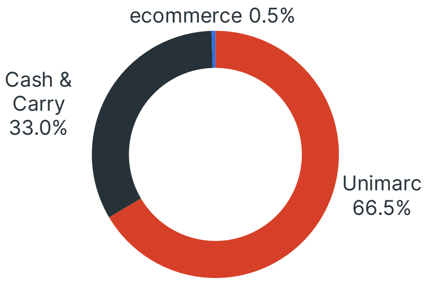
Revenue breakdown by country (LTM)



Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	113,802	131,265	126,211	153,497	231,865
Total Current Assets	528,259	497,235	556,513	604,253	708,612
Total Assets	2,220,482	2,328,637	2,378,727	2,401,922	2,465,585
Current Liabilities	626,612	652,438	666,703	693,782	711,990
Financial Debt	986,138	1,041,963	1,108,544	1,060,044	1,055,566
Total Liabilities	1,467,721	1,541,305	1,594,916	1,567,668	1,593,107
Minority Interest	0	4,412	0	0	0
Shareholders Equity	752,761	782,919	783,811	834,254	872,479
Total Liabilities + Equity	2,220,482	2,328,637	2,378,727	2,401,922	2,465,585
Net Debt /EBITDA	3.8	3.4	3.6	3.2	2.7
Financial Debt /EBITDA	4.3	3.9	4.0	3.7	3.4
Financial Debt /Equity	1.3	1.3	1.4	1.3	1.2
ROAE	10.2%	17.2%	11.8%	14.2%	15.0%
ROAA	3.4%	5.8%	3.9%	4.8%	5.3%
ROIC	11.4%	15.6%	8.8%	9.1%	9.8%

Revenue breakdown by format (LTM)



Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	197,735	113,802	131,265	126,211	153,497
Cash Flow From Operations	79,414	122,328	107,052	232,902	261,982
CAPEX	-46,708	-56,876	-83,141	-92,508	-89,395
Changes in Financial Debt	-69,455	55,825	66,581	-48,500	-4,478
Dividends (Paid) Received	-57,414	-97,364	-92,440	-64,608	-89,740
Other CFI & CFF Items	10,230	-6,450	-3,106	0	0
Changes in Equity	0	0	0	0	0
Final Cash	113,802	131,265	126,211	153,497	231,865
Change in Cash Position	-83,932	17,463	-5,054	27,285	78,369

Sources: Company Reports and Credicorp Capital

Management

CEO: Marcelo Galvez
CFO: Arturo Silva
IRO: Carolyn Mckenzie
www.smu.cl

CredicorpCapital

Sonda

Rating: Hold
TP: CLP 510

Equity Research Chile
Telecom & I.T.

Marco Zúñiga - mzunigac@credicorpcapital.com

Downward projections: 'Hold' rating amid margin challenges

Investment Thesis

We reaffirm our "Hold" recommendation and introduce a target price of CLP 510 per share, suggesting a 33.6% upside potential, grounded in a conservative 4x EV/EBITDA valuation. While acknowledging the potential for a data center transaction to act as a short-term catalyst, several considerations must be weighed. These include the stock's limited liquidity, uncertain earnings outlook, and the intricacies of executing the transaction strategy, particularly regarding the realization of data center value. Consequently, significant stock revaluation is unlikely, given the market has already factored in approximately half of the expected gains from the transaction. This stance is fortified by intensified competition in the Southern Cone and persistent margin challenges in Brazil.

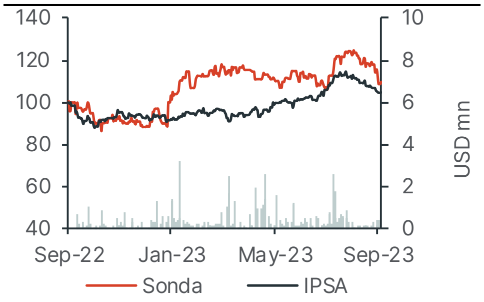
We have revised downward our projections for the upcoming year, primarily due to observed margin contractions in the Southern Cone and ongoing profitability struggles in Brazil. The Southern Cone region has experienced a margin decline, falling to 8.8% in 2Q23, attributed to heightened competition and subdued demand. Moreover, Brazil's profitability has remained stagnant, leading us to anticipate consolidated margins below 10% for the next fiscal year.

The potential transaction involving the company's data centers could serve as a catalyst in the short term. However, we believe that the company's strategy will play a crucial role in driving further stock appreciation. Considering similar market transactions involving data centers, we estimate the colocation business to be valued at more than USD 180 million.

Stock Data

Ticker	sonda ci
Price (CLP)	395
Target (CLP)	510
Total Return	33.6%
LTM Range	311 - 449
M. Cap (USD mn)	386
Shares Outs. (mn)	871
Free Float	52%
ADTV (USD mn)	0.3

Price Chart (CLP) and Volumes (USD mn)



Valuation

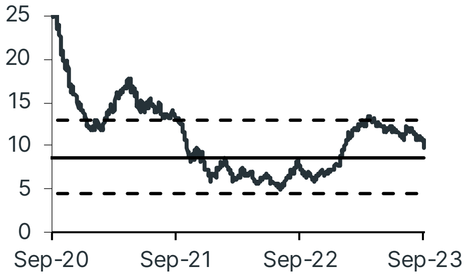
Compared to their three-year averages, shares are trading at 3% and 4% premiums in terms of 2023E P/E and EV/EBITDA respectively. We think shares will continue trading at this level as we think investors will demand that margins improve further before becoming more optimistic on the stock.

Valuation Summary

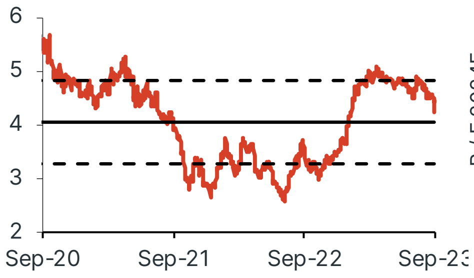
	2022	2023E	2024E	2025E
EV/EBITDA	3.5	5.3	5.1	4.7
P/E	8.0	11.0	10.9	9.1
P/CF	9.9	12.7	9.3	7.9
P/BV	0.5	0.6	0.6	0.6
Div. Yield	0.3%	5.2%	4.5%	5.5%

Sources: Company Reports and Credicorp Capital

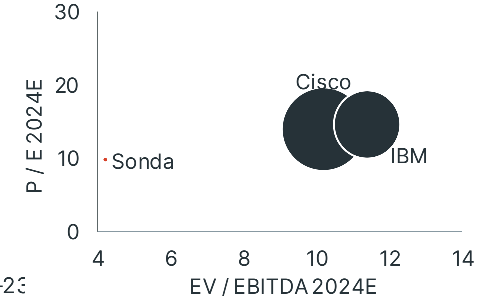
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

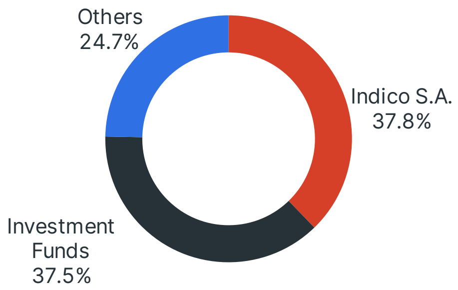


Sonda

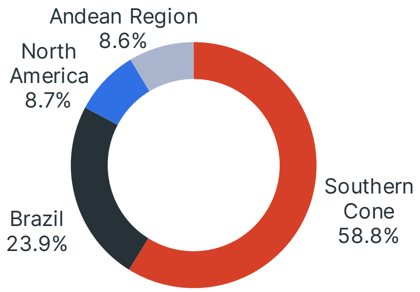
Company Description

Founded in 1974, Sonda is the leading provider of IT Services in Latin America with presence in ten countries throughout the region (Chile, Argentina, Peru, Uruguay, Ecuador, Brazil, Colombia, Mexico, Costa Rica and Panama). It also offers applications (SW) and platforms (HW) and serves as a one-stop shop in the region. Sonda is the only publicly listed company in the IT industry with exposure to most LatAm countries.

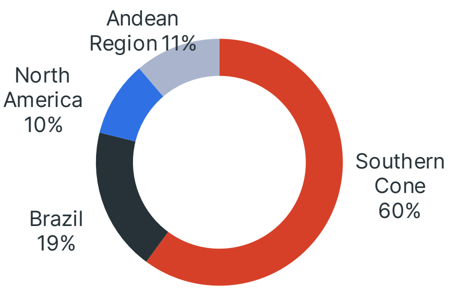
Ownership Structure



Revenue breakdown by region (LTM2Q23)



EBITDA breakdown by region LTM2Q23



Management

CEO: Luis Alberto de la Cruz
CFO: Gonzalo Soto
IRO: Alfredo González
www.sonda.com

Income Statement

CLP mn	2021	2022	2023E	2024E	2025E
Revenues	897,198	1,068,112	1,201,642	1,226,979	1,246,537
Gross Profit	157,247	178,208	202,184	212,526	223,111
EBITDA	111,451	120,574	109,826	115,012	125,076
Net Income	34,864	35,502	31,267	31,610	38,034
EPS (CLP)	40	41	36	36	44
Gross Margin	17.5%	16.7%	16.8%	17.3%	17.9%
EBITDA Margin	12.4%	11.3%	9.1%	9.4%	10.0%
Net Margin	3.9%	3.3%	2.6%	2.6%	3.1%

Balance Sheet

CLP mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	191,218	154,778	117,843	110,094	109,877
Total Current Assets	556,047	593,277	586,790	571,886	592,836
Total Assets	1,056,957	1,125,039	1,181,791	1,181,666	1,216,820
Current Liabilities	287,665	328,840	331,577	318,438	335,509
Financial Debt	264,166	287,343	290,891	286,528	283,441
Total Liabilities	555,191	598,657	641,566	625,465	641,348
Minority Interest	3,191	6,478	6,805	6,804	7,007
Shareholders Equity	498,574	519,904	533,420	549,397	568,465
Total Liabilities + Equity	1,056,957	1,125,039	1,181,791	1,181,666	1,216,820
Net Debt /EBITDA	0.7	1.1	1.6	1.5	1.4
Financial Debt /EBITDA	2.4	2.4	2.6	2.5	2.3
Financial Debt /Equity	0.5	0.6	0.5	0.5	0.5
ROAE	7.3%	7.0%	5.9%	5.8%	6.8%
ROAA	3.4%	3.3%	2.7%	2.7%	3.2%
ROIC	7.3%	8.3%	7.0%	6.5%	7.3%

Cash Flow Statement

CLP mn	2021	2022	2023E	2024E	2025E
Initial Cash	**206,510**	**191,218**	**154,778**	**117,843**	**110,094**
Cash Flow From Operation:	21,982	-13,743	35,082	64,800	76,348
CAPEX	-8,819	-16,292	-58,140	-52,553	-54,715
Changes in Financial Debt	-17,463	23,177	3,547	-4,363	-3,087
Dividends (Paid) Received	-37,289	-708	-17,751	-15,634	-18,966
Other CFI & CFF Items	26,297	-28,874	327	-1	202
Changes in Equity	0	0	0	0	0
Final Cash	**191,218**	**154,778**	**117,843**	**110,094**	**109,877**
Change in Cash Position	**-15,292**	**-36,440**	**-36,934**	**-7,749**	**-217**

Sources: Company Reports and Credicorp Capital

Southern Copper

Rating: Uperf
TP: USD 65.4

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Strong fundamentals already incorporated in the share price; long-term copper prices of ~11,000 USD/t may explain the current share price

Investment Thesis

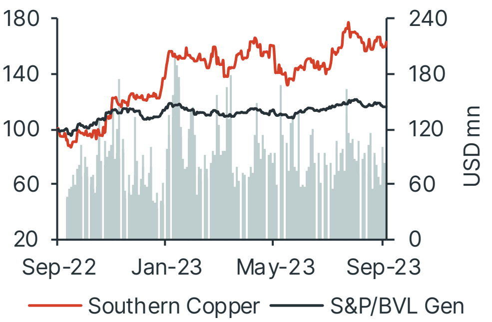
We initiate our coverage of SCCO with an Underperform recommendation and a 2024YE TP of USD 65.4. Even though we recognize the financial and operational strength of the company and the value of the greenfield project portfolio, the share is trading 15% above our estimated TP. In addition, on relative valuation, the company is trading at 10.8x EV/EBITDA 2025E, a ~100% premium against its peers, when the median premium of the last five years stands at 74%.

We estimate SCCO to have one of the largest copper reserves in the world with 36.5 mn t of recoverable copper and 96 mn t when including resources. **The company was the world's fifth-largest copper producer in 2022** with 895 kt. At current guidance, copper production should grow to 932/1,026/1,018/1,021/950 kt (ex. Tia Maria) in 2023/24/25/26/27, with by-products contributing an additional 20% to production, explained by the ramp-up of the Pilares, Buenavista Zinc and El Pilar (2025) projects, better grades at IMMSA and Toquepala and a normalization of operations at Cuajone, but we see declining grades by 2027. **SCCO is also a low-cost operation.** We expect cash-cost-before-byproducts of 4,510 USD/t for 2023, converging to 3,930 USD/t by 2027 on the normalization of some costs, and cash-cost-net-of-byproducts of 2,430 USD/t in 2023 and 1,530 USD/t by 2027, assuming molybdenum and silver prices of 42,000 USD/t and 23 USD/oz. **Thus, we expect EBITDA to reach USD 5.0/6.1/6.3/6.4/6.3 bn for 2023/24/25/26/27** for copper prices of 8,600-8,750 USD/t in 2023-2026 and 8,800 USD/t in 2027. Also, **SCCO has a strong portfolio of greenfield projects**, which we valued separately, which would allow SCCO to **increase its copper production by 83% in 2032.**

Stock Data

Ticker	scco us
Price (USD)	80.4
Target (USD)	65.4
Total Return	-15.1%
LTM Range	42.8 - 87.4
M. Cap (USD mn)	62,158
Shares Outs. (mn)	773
Free Float	11%
ADTV (USD mn)	85.6

Price Chart (USD) and Volumes (USD mn)



Valuation

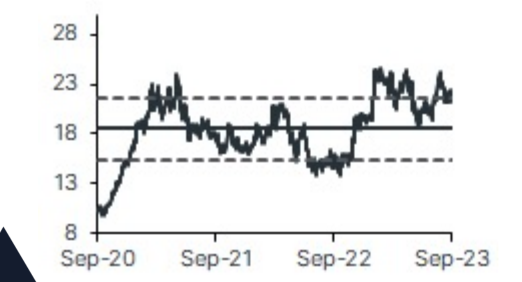
Our TP is 60% determined by a DCF (TP of USD 61.7) and 40% determined by an EV/EBITDA valuation multiple (TP of USD 70.9). We value the current operations and El Pilar project (74% of TP) through a DCF (WACC 8.9%), including reserves and part of the resources (R&R), and the projects (26% of TP) through 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 9.5x EV/EBITDA 2025 multiple, in line with SCCO's 74% premium against peers.

Valuation Summary

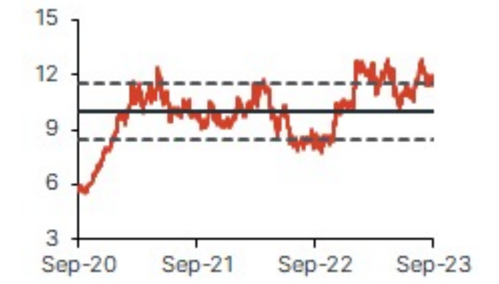
	2022	2023E	2024E	2025E
EV/EBITDA	9.7	13.4	11.1	10.8
P/E	17.7	26.0	20.3	19.7
P/CF	25.3	25.3	22.2	17.4
P/BV	5.8	7.6	6.9	6.2
Div. Yield	5.8%	3.7%	3.5%	3.5%

Sources: Company Reports and Credicorp Capital

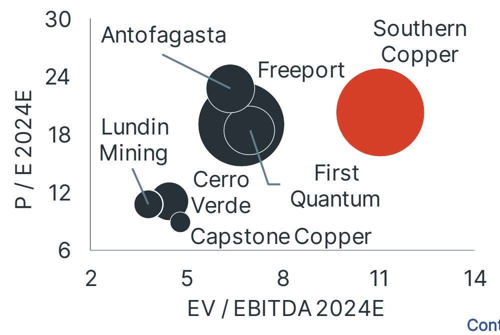
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

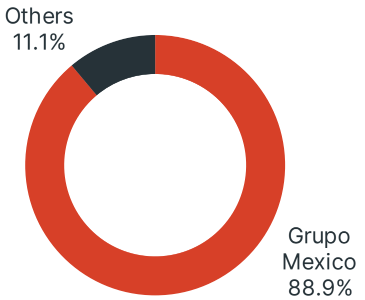


SCCO

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 2022, it was the 5th largest copper producer, representing ~4.1% of the world's mined production. It was also the 10th and 7th largest copper smelter and refinery. 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.

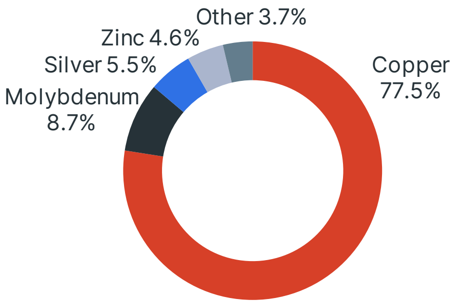
Ownership Structure (2022YE)



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	10,934	10,048	9,964	11,364	11,296
Gross Profit	6,234	4,603	4,381	5,489	5,644
EBITDA	6,853	5,365	5,021	6,087	6,265
Net Income	3,397	2,639	2,390	3,056	3,156
EPS (USD)	4.39	3.41	3.09	3.95	4.08
Gross Margin	57.0%	45.8%	44.0%	48.3%	50.0%
EBITDA Margin	62.7%	53.4%	50.4%	53.6%	55.5%
Net Margin	31.1%	26.3%	24.0%	26.9%	27.9%

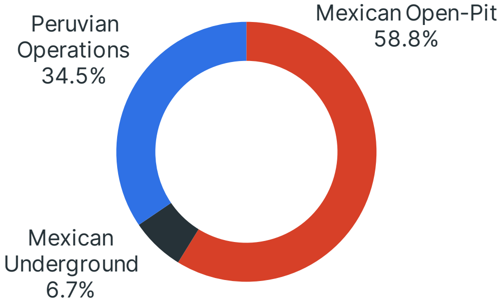
Revenue breakdown by metal (2024E)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	3,489	2,278	2,142	2,471	3,067
Total Current Assets	6,140	5,188	5,041	5,636	6,179
Total Assets	18,298	17,277	17,352	18,271	18,716
Current Liabilities	2,250	1,236	1,238	1,796	1,283
Financial Debt	7,390	7,025	7,025	7,025	6,527
Total Liabilities	10,090	9,131	9,133	9,192	8,679
Minority Interest	59	63	65	69	71
Shareholders Equity	8,149	8,084	8,154	9,010	9,966
Total Liabilities + Equity	18,298	17,277	17,352	18,271	18,716
Net Debt /EBITDA	0.6	0.9	1.0	0.7	0.6
Financial Debt /EBITDA	1.1	1.3	1.4	1.2	1.0
Financial Debt /Equity	0.9	0.9	0.9	0.8	0.7
ROAE	44.2%	32.5%	29.4%	35.6%	33.3%
ROAA	19.3%	14.8%	13.8%	17.2%	17.1%
ROIC	29.8%	22.7%	19.8%	24.3%	24.6%

Revenue breakdown by segment (2024E)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**2,594**	**3,489**	**2,278**	**2,142**	**2,471**
Cash Flow From Operations	4,292	2,803	3,250	3,684	4,053
CAPEX	-892	-949	-1,060	-1,150	-750
Changes in Financial Debt	-63	-365	0	0	-499
Dividends (Paid) Received	-2,474	-2,706	-2,320	-2,200	-2,200
Other CFI & CFF Items	29	4	-6	-6	-8
Changes in Equity	2	2	0	0	0
Final Cash	**3,489**	**2,278**	**2,142**	**2,471**	**3,067**
Change in Cash Position	**895**	**-1,211**	**-136**	**328**	**597**

Sources: Company Reports and Credicorp Capital

Management

CEO: Oscar Gonzalez Rocha
CFO: Raul Jacob Ruisanchez
IRO: Victor Pedraglio
southerncoppercorp.com/eng

Southern Copper

Baa1 / BBB+ / BBB+
Outlook: s / s / s

Fixed Income Research Peru
Mining

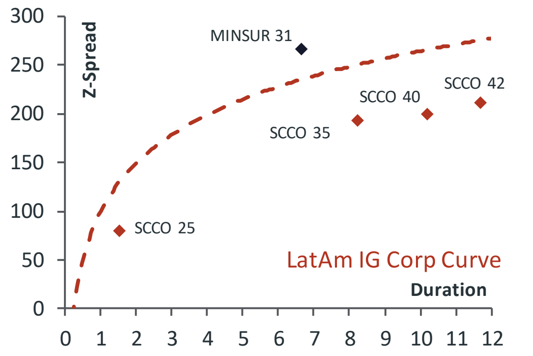
Josefina Valdivia - jvaldivia@credicorpcapital.com

Strong credit, fairly priced

Investment Thesis

We feel comfortable with the company's credit profile due to its adequate capital structure, strong cash levels and conservative financial policies. These factors enable the company to weather periods of price volatility and/or production declines while maintaining a solid balance sheet. We see some room for spread compression on the 2025 bond as it is trading ~15 bps above its six-month average difference to Codelco. We remain in a Neutral stance for the rest of the curve.

SSCO Bonds and comparables



Credit Data	
REG-S Notes	5
Outstanding Senior Notes	USD 5,300MM
Closest Call Date	-
Closest Maturity Date	23-Apr-25

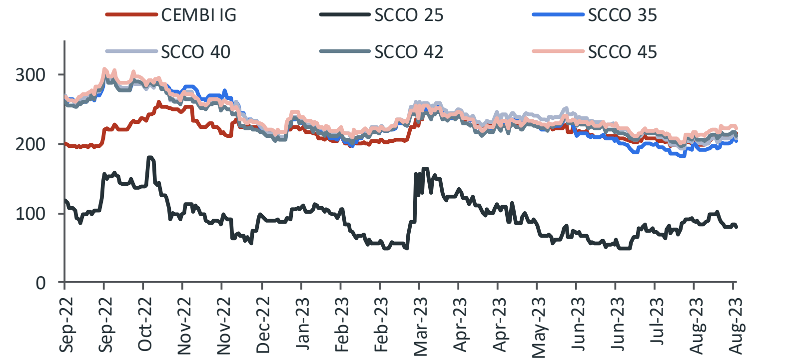
Concerns

- Exposure to metal price volatility inherent to the sector
- Capex execution risk

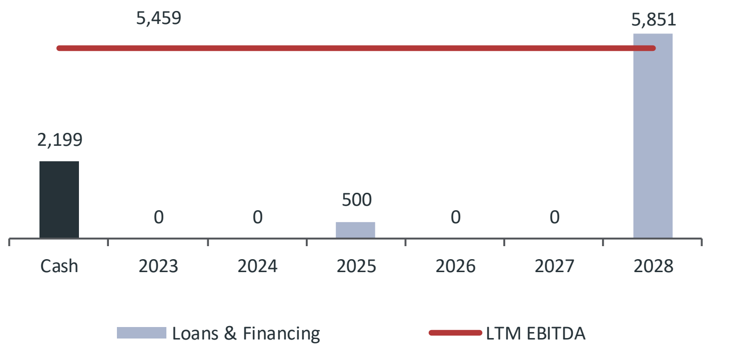
Strengths

- Largest copper reserves in the world
- Strong liquidity with no debt maturity pressures
- Conservative financial policies

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
SCCO 25	USD 500mn	3.9%	Baa1 / BBB+ / BBB+	80	1.6	96.9	0.3%	5.9%	Overweight
SCCO 35	USD 1,000mn	7.5%	Baa1 / BBB+ / BBB+	193	8.3	113.1	0.6%	5.9%	Neutral
SCCO 40	USD 1,100mn	6.8%	Baa1 / BBB+ / BBB+	199	10.2	108.0	0.5%	6.0%	Neutral
SCCO 42	USD 1,200mn	5.3%	Baa1 / BBB+ / BBB+	211	11.7	90.8	0.5%	6.1%	Neutral
SCCO 45	USD 1,500mn	5.9%	Baa1 / BBB+ / BBB+	218	12.1	97.2	0.5%	6.1%	Neutral

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

CredicorpCapital

SQM

Equity Research Chile
Mining

Rating: Hold
TP: CLP 57.000 (loc) / USD 70,0 (ADR)

Andrew McCarthy - amccarthy@credicorpcapital.com

Valuations attractive but lackluster Li fundamentals and worries about the future of the Salar de Atacama resource continue to weigh

Investment Thesis

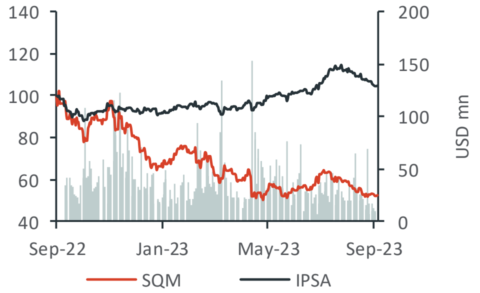
We re-iterate our recently updated recommendation of Hold, and introduce a new YE2024 TP of CLP 57,000/sh and USD 70/ADR (vs USD 74/ADR previously). Since our last update, the shares have underperformed owing to lackluster lithium market fundamentals and falling earnings expectations for this year following disappointing 2Q23 results. While the outlook for EV demand remains benign for the rest of 2023 (SQM projects ~+30% growth) the rebound in Li prices that began in 2Q23 did not last for long as buyers carried out limited re-stocking activity and adopted a cautious stance ahead of additional units entering the market in 2H23. SQM's 2Q23 Li price realization (USD 34k/t) disappointed and the guidance for 3Q23 was for at best similar prices (we conservatively assume USD 32k/t).

Valuations appear very attractive but we struggle to see near-term catalysts. At current levels, we see SQM's shares trading at below 4x EV/2024 EBITDA well below its last three-year average 12m fwd. EBITDA of ~5.7x. Moreover we see the shares offering a very attractive 24E div. yield of ~13%, assuming an 80% distribution of net income, aligned with the company's current dividend policy. We think the company will continue to successfully execute on increasing volumes in its lithium business over the next years but the big question remains what will happen to its operations in the Salar de Atacama after 2030. Following the announcement of the Chilean government's National Lithium Strategy SQM is negotiating this point with Codelco. The big worry is that a deal could see it cede too much of the cash flows between 2024 and 2030 in return for a minority participation after 2030. A deal that avoids that could drive a re-rating of the shares that currently trade at a ~27% discount to lithium peers.

Stock Data

Ticker	sqm/b ci / sqm us
Price (CLP)	53.484 (loc) / 59,9 (ADR)
Target (CLP)	57.000 (loc) / 70,0 (ADR)
Total Return	20,0%
LTM Range	51.180 - 104.000
M. Cap (USD mn)	16.505
Shares Outs. (mn)	143
Free Float B sh/ADR	80%
ADTV (USD mn)	36,7

Price Chart (CLP) and Volumes (USD mn)



Valuation

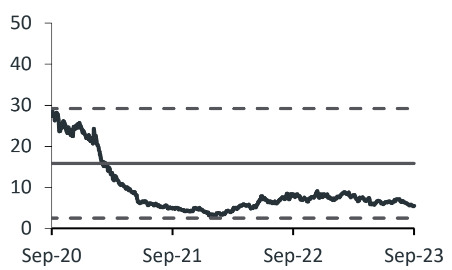
We are introducing our YE2024 TP of CLP 57,000 (local) / USD 70 (ADR). Our TP calculation is based on: (i) a DCF (50% weighting) to capture the long-term cash flows of the company assuming a long-term (real) lithium price of USD 20k/t (reached in 2028) and an assumed (real) cash tolling margin at the Carmen chemical plant of USD 2k/t; and (ii) a target multiple of 4.2x 25E EBITDA (50% weighting) based on applying the current 27% market discount to lithium peers' average trading multiple (5.7x), which we think should remain while the uncertainty over negotiations with Codelco persists.

Valuation Summary

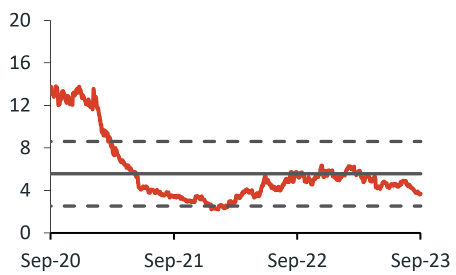
	2022	2023E	2024E	2025E
EV/EBITDA	3,8	4,3	3,7	3,9
P/E	5,5	6,2	5,5	5,9
P/CF	8,7	7,2	6,7	6,9
P/BV	4,4	3,3	2,8	2,6
Div. Yield	10,3%	14,8%	13,4%	15,1%

Sources: Company Reports and Credicorp Capital

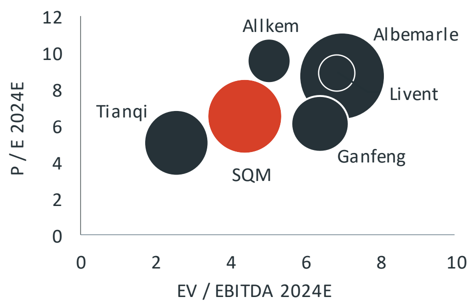
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation

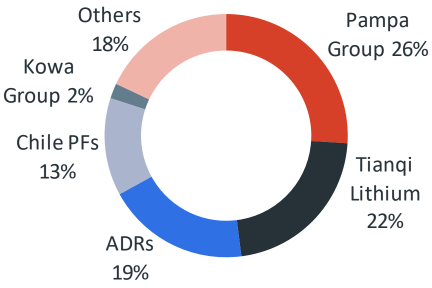


SQM

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.

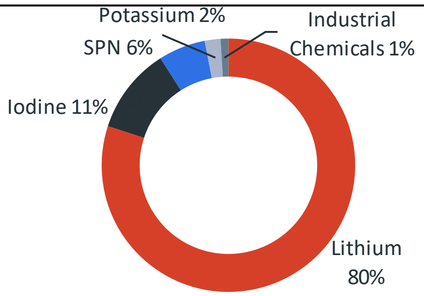
Ownership Structure



Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	2.862	10.711	8.599	8.808	8.599
Gross Profit	1.090	5.737	3.960	4.496	4.215
EBITDA	1.185	5.838	4.045	4.662	4.404
Net Income	585	3.906	2.760	3.110	2.898
EPS (CLP)	1.746	11.640	8.622	9.717	9.052
Gross Margin	38,1%	53,6%	46,1%	51,1%	49,0%
EBITDA Margin	41,4%	54,5%	47,0%	52,9%	51,2%
Net Margin	20,5%	36,5%	32,1%	35,3%	33,7%

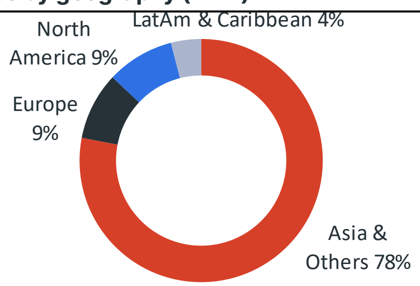
Gross profit breakdown by business (LTM)



Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	1.515	2.655	3.200	3.121	2.942
Total Current Assets	4.586	6.992	6.923	7.106	7.380
Total Assets	7.044	10.819	11.514	12.262	12.768
Current Liabilities	992	3.052	2.975	2.848	2.935
Financial Debt	2.639	2.917	3.500	3.500	3.500
Total Liabilities	3.828	5.887	6.259	6.103	6.197
Minority Interest	34	35	35	38	40
Shareholders Equity	3.182	4.897	5.219	6.122	6.531
Total Liabilities + Equity	7.044	10.819	11.514	12.262	12.768
Net Debt /EBITDA	0,9	0,0	0,1	0,1	0,1
Financial Debt /EBITDA	2,2	0,5	0,9	0,8	0,8
Financial Debt /Equity	0,8	0,6	0,7	0,6	0,5
ROAE	22,1%	96,7%	54,6%	54,9%	45,8%
ROAA	9,9%	43,7%	24,7%	26,2%	23,2%
ROIC	16,4%	82,8%	51,1%	51,7%	42,7%

Sales by geography (LTM)



Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**509**	**1.515**	**2.655**	**3.200**	**3.121**
Cash Flow From Operations	332	3.958	3.638	3.021	2.937
CAPEX	-465	-905	-1.239	-894	-631
Changes in Financial Debt	671	278	583	0	0
Dividends (Paid) Received	-572	-2.238	-2.437	-2.208	-2.488
Other CFI & CFF Items	-61	48	0	2	2
Changes in Equity	1.100	0	0	0	0
Final Cash	**1.515**	**2.655**	**3.200**	**3.121**	**2.942**
Change in Cash Position	**1.006**	**1.140**	**545**	**-79**	**-179**

Sources: Company Reports and Credicorp Capital

Management

CEO: Ricardo Ramos
CFO: Gerardo Illanes
IRO: Irina Axenova
www.sqm.com

CredicorpCapital

Termocandelaria

Fixed Income Research Colombia
Utilities

NR / BB- / BB
Outlook: nr / p / s

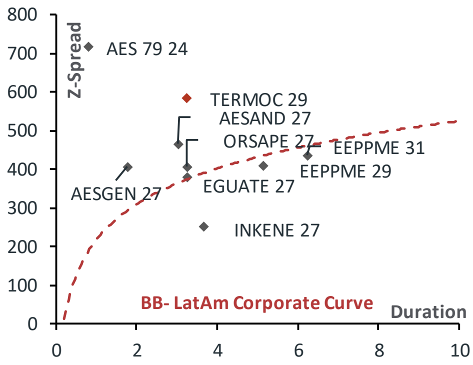
Sandra Loyola - sloyola@credicorpcapital.com

Resilient operations during El Niño phenomenon

Investment Thesis

Our focus right now is on the increasing probability of a strong El Niño event occurring in the summer of 2023-24. Being a security generator and having the availability of the new combined cycle, TPL should prove to be more resilient than other companies under our coverage with a potential upside for results. We are maintaining our OW recommendation due to this and an interesting carry (YTW: 9.9%) for an amortizing bond (Dur: 3.3). However, we highlight other underlying and structural risks that will remain relevant for TPL's performance, such as lower participation in the region's demand, progress in renewable projects, relevant transmission lines that have recently begun construction to reduce the current electric bottlenecks and the impact of Colombia's headline risk on bonds. The company, however, is sustaining robust financial results with leverage under control (2.4x).

TPL Bonds and comparables



Credit Data

REG-S Notes

Outstanding Senior Notes

Closest Call Date

Closest Maturity Date

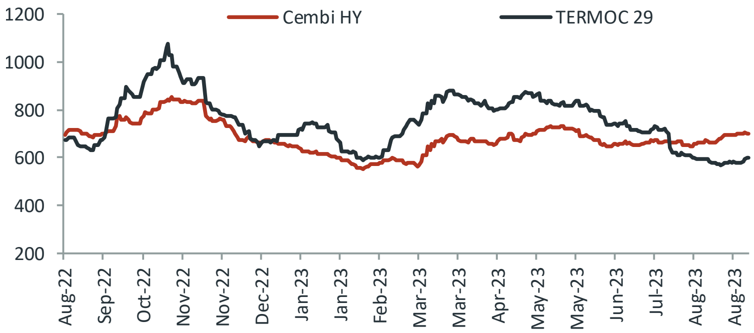
Concerns

- Inverted hydrology risk
- Out-of-merit dispatch challenged by upcoming upgrades to the transmission infrastructure and new renewable projects

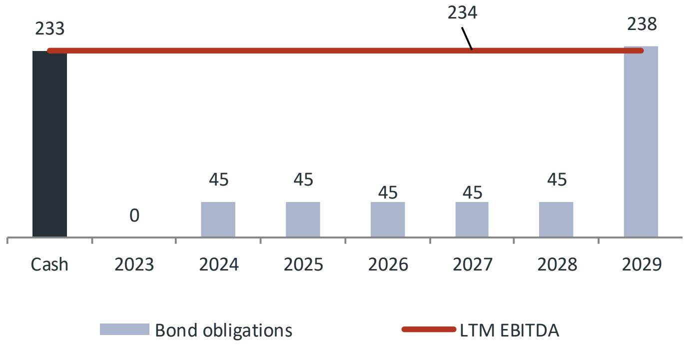
Strengths

- Relevant player in the Atlantic Coast region, which has solid demand
- Secured local LNG supply
- Reduced exposure to the spot market

Z- Spread evolution



Debt Maturity Profile



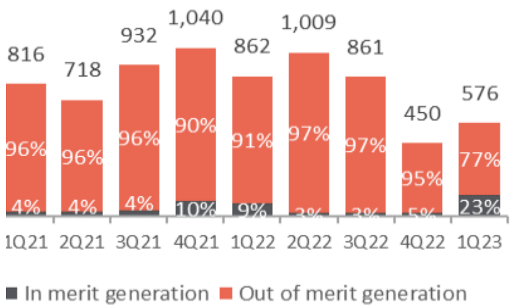
	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
TERMOC 29	USD 462mn	7.88%	BB-	581.6	3.3	94.0	0.7%	9.8%	Overweight

TPL

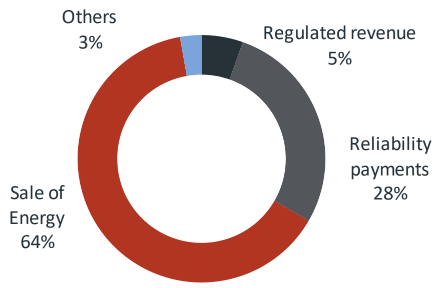
Company Description

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 represents 7.3% of the total Colombian installed capacity and has supplied 5.5% of the country's total demand on average over the past four years.

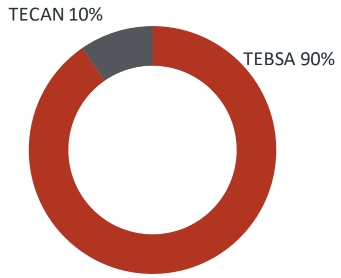
Energy Generated (GWh)



Revenues Distribution



EBITDA by Asset



Credit Metrics

	2019	2020	2021	2022	LTM1Q23
Interest Coverage	3.8x	2.3x	3.1x	5.9x	5.3x
Gross Debt / EBITDA	3.4x	8.4x	5.5x	3.2x	3.4x
Net Debt / EBITDA	2.9x	5.1x	4.2x	2.3x	2.4x
Net Debt / Equity	1.5x	2.3x	2.9x	2.4x	2.5x
ST Debt / Gross Debt	9%	10%	9%	10%	8%

Income Statement

USD MN	2019	2020	2021	2022	LTM1Q23
Net Revenues	593	564	574	699	670
Gross Profit	103	73	105	215	202
EBIT	88	56	90	199	186
Financial Expenses	34	42	45	42	44
EBITDA	130	99	138	248	234
Gross Margin	17%	13%	18%	31%	30%
EBITDA Margin	22%	18%	24%	35%	35%
Net Margin	4%	-3%	-1%	12%	10%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM1Q23
Cash	66	325	190	218	233
Current Liabilities	191	316	182	225	269
Total Assets	881	1,212	1,152	1,213	1,254
Current Liabilities	105	131	130	158	172
Total Liabilities	628	994	952	982	1,029
Equity	253	219	200	230	225
Net Debt	376	501	576	562	567
Gross Debt	442	826	766	781	800
Short Term Debt	39	81	68	78	65
Long Term Debt	403	745	697	702	736
ROAE	10%	-7%	-3%	37%	29%
ROAA	3%	-1%	0%	7%	5%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM1Q23
Operational Activities	48	60	118	166	134
Investing Activities	-60	-287	-90	-51	-43
Financing Activities	22	312	-126	-86	-65

Sources: Company Reports and Credicorp Capital

Transportadora de Gas Internacional

Fixed Income Research Colombia
Utilities

Baa3 / NR / BBB
Outlook: n / nr / s

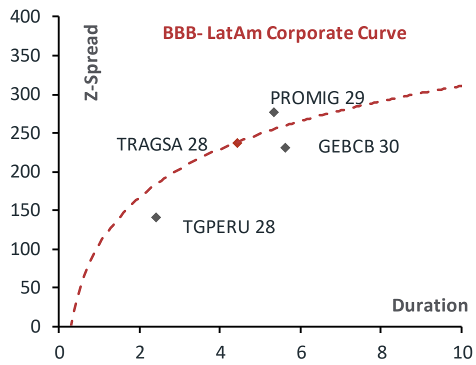
Sandra Loyola - sloyola@credicorpcapital.com

Building resilience through regulatory changes

Investment Thesis

Long-awaited regulatory changes reached their final resolution, the most relevant one being the change of functional currency. Accordingly, all fixed and variable charges for transport – around 78% of TGI revenues – will from now on be charged in COP. The company implemented a hedging strategy to mitigate the currency risk arising from its dollar-denominated debt. Meanwhile, the pass-through of currency hedging costs to tariffs is still pending the final resolution. TGI is thoroughly navigating regulatory changes while maintaining a sound and robust financial profile. Also, the bond has shown a low beta compared to Colombian sovereign bonds' high volatility. Regarding valuations, both GEB 30 and TRAGSA 28 have been outperforming COLOM 29, exhibiting a decoupling from the sovereign's headline risk underpinned by solid fundamentals. TRAGSA is a domestic business that should not deviate far from Colombia. We remain Neutral on the name on little room for spread compression.

TGI Bonds and comparables



Credit Data

REG-S Notes

Outstanding Senior Notes

Closest Call Date

Closest Maturity Date

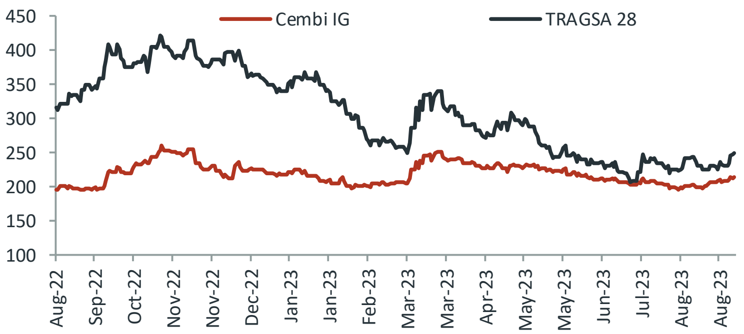
Concerns

-Decline in contracted capacity
- Ongoing negotiations to close the pass-through of hedging costs to tariffs after the recent change in functional currency

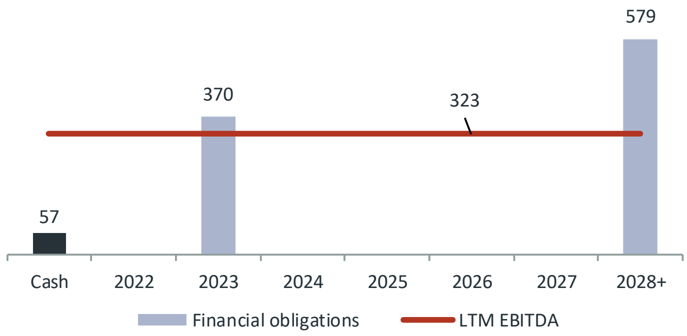
Strengths

- Owns and operates the longest and most relevant gas pipeline in the country
- Firm capacity contracts and other fixed charges comprising ~80% of revenues
- Implicit support from the District of Bogotá

Z- Spread evolution



Debt Maturity Profile



	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
TRAGSA 28	USD 594mn	5.55%	BBB-	235.7	4.4	95.7	0.5%	6.5%	Neutral

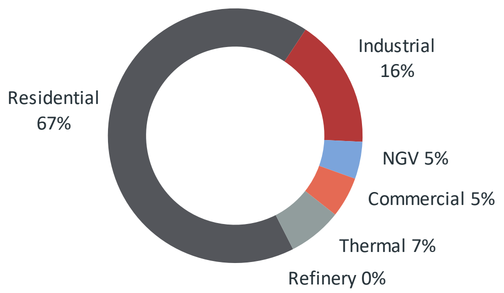
Contents

TGI

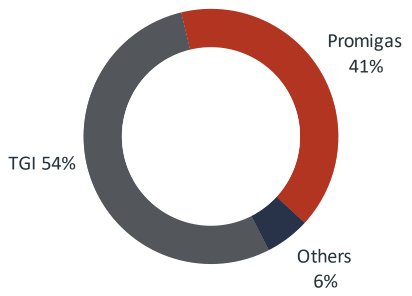
Company Description

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 ~56% of Colombia's population. The company has a total capacity of 849.4 mcfd. GEB owns 99.9% of TGI.

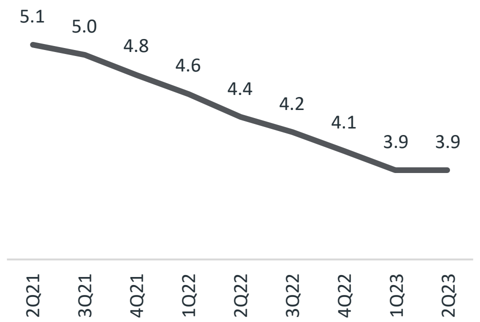
Revenue Breakdown by demand sector



Market share



Remnant Contracts Life (years)



Credit Metrics

	2019	2020	2021	2022	LTM2Q23
Interest Coverage	5.2x	5.0x	4.5x	4.6x	4.7x
Gross Debt / EBITDA	3.1x	3.2x	3.8x	3.1x	2.9x
Net Debt / EBITDA	2.9x	2.8x	3.3x	2.8x	2.5x
Net Debt / Equity	1.2x	1.1x	1.2x	1.0x	1.0x
ST Debt / Gross Debt	0%	0%	0%	0%	0%

Income Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Net Revenues	469	456	385	401	408
Gross Profit	300	289	236	252	260
EBIT	269	255	209	211	227
Financial Expenses	70	70	67	68	69
EBITDA	360	352	301	314	323
Gross Margin	64%	63%	61%	63%	64%
EBITDA Margin	77%	77%	78%	78%	79%
Net Margin	27%	33%	26%	25%	38%

Balance Sheet

USD MN	2019	2020	2021	2022	LTM2Q23
Cash	78	137	141	95	57
Current Liabilities	157	214	208	166	139
Total Assets	2,513	2,570	2,493	2,391	2,438
Current Liabilities	94	87	437	430	439
Total Liabilities	1,633	1,653	1,665	1,534	1,542
Equity	880	918	828	857	896
Net Debt	1,056	991	988	880	872
Gross Debt	1,134	1,128	1,129	975	929
Short Term Debt	0	0	0	0	0
Long Term Debt	1,134	1,128	1,129	975	929
ROAE	14%	16%	12%	12%	17%
ROAA	5%	6%	4%	4%	6%

Cash Flow Statement

USD MN	2019	2020	2021	2022	LTM2Q23
Operational Activities	257	207	159	252	219
Investing Activities	-90	-50	-12	-51	-49
Financing Activities	-129	-98	-136	-233	-302

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Unacem

Rating: Hold
TP: PEN 1.89

Equity Research Peru
Cement & Construction

Steffania Mosquera - smosquera@credicorpcapital.com
Bianca Venegas - biancasvenegas@credicorpcapital.com

We maintain our HOLD as we do not see clear catalysts for the name

Investment Thesis

We are introducing our 2024E target price of PEN 1.89/share for Unacem, and we reiterate our HOLD recommendation based on: i) deteriorating earnings momentum and ii) acquisitions that could affect dividends and leverage ratios.

Deteriorating earnings momentum. We expect a decrease in earnings for 2023 and 2024 as gross profit will decline due to high COGS and further increases in SG&A and financial expenses will pressure the bottom line. We highlight that we see mixed results across the different geographies. Higher prices are supporting the top lines in Peru and the USA, but we also are beginning to see how the deterioration of volumes impacts results. We are forecasting a drop in cement deliveries in Peru as we believe the deterioration of self-construction will weigh more on the top line. Furthermore, we also expect weaker construction activity in Ecuador and Chile in a context of political instability. Please note that the recent acquisition of the Tehachapi plant in the USA is not incorporated in our model.

Capital allocation. Regarding the recent acquisition of Tehachapi, we believe the implicit multiple (EV/EBITDA) of the transaction (9.9x) seems relatively attractive when compared to the average EV/EBITDA 2024E multiple for peers in the USA (11.9x). The company also acquired Termochilca and increased the capacity of its energy segment in Peru; we believe the implicit multiple (EV/EBITDA) of the transaction (9.4x) is in line with the average of transactions for gencos (11.4x). Overall, we believe these acquisitions are in line with the long-term strategy of the company, but they could put pressure on dividends and leverage in the short term as the company will rely on external financing for both transactions.

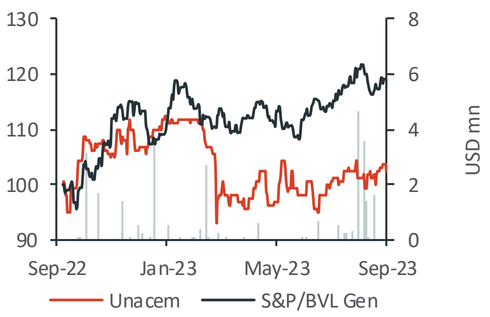
Valuation

Valuations look attractive when compared to peers, but we acknowledge that this has not been a catalyst. We are updating our 10-year DCF valuation model for Unacem. Our main assumptions include a WACC of 13.5% and a cost of debt of 7.5%. We are forecasting an EV/EBITDA multiple of 4.6x for 2024E, which is below the figures of peers such as Pacasmayo (6.1x for 2024E). We highlight that we still believe the discount of 33% vs. Pacasmayo in terms of EV/EBITDA 2024E is high compared to its history (a historic average of ~15.9% for the 2015-2020 period). However, the name has been discounted for some time now. Moreover, multiples seem fair when compared to the company's history.

Stock Data

Ticker	unacemc1 pe
Price (PEN)	1.64
Target (PEN)	1.89
Total Return	22.1%
LTM Range	1.50 - 1.81
M. Cap (USD mn)	806
Shares Outs. (mn)	1,818
Free Float	48%
ADTV (USD mn)	0.2

Price Chart (PEN) and Volumes (USD mn)

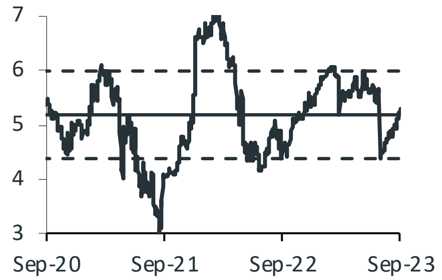


Valuation Summary

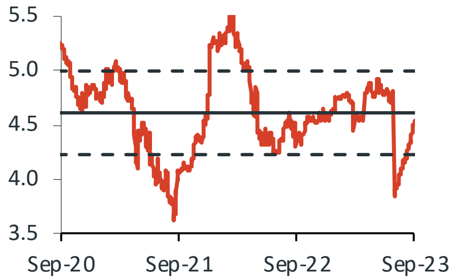
	2022	2023E	2024E	2025E
EV/EBITDA	4.4	4.6	4.6	4.4
P/E	5.9	5.7	6.1	5.3
P/CF	5.3	4.6	3.6	3.6
P/BV	0.6	0.5	0.5	0.5
Div. Yield	9.0%	6.3%	6.8%	6.8%

Sources: Company Reports and Credicorp Capital

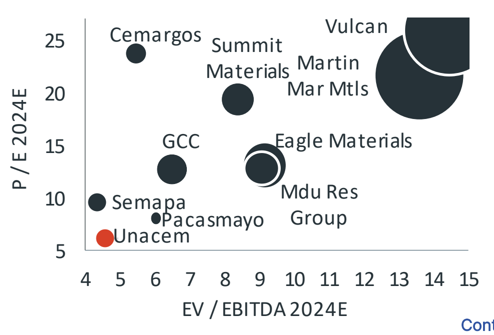
P/E 12M Forward



EV/EBITDA 12M Forward



Relative Valuation



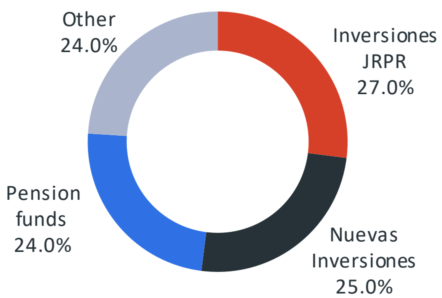
Contents

Unacem

Company Description

Unacem is the leading cement producer in Peru with an annual installed 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, along with an energy company with a capacity of 563 MW. The company recently announced an investment in a quicklime and calcium carbonate plant in Tarma and the acquisition of Tehachapi cement plant in the US. The company is held by the Rizo Patrón family and has been operating for more than 100 years.

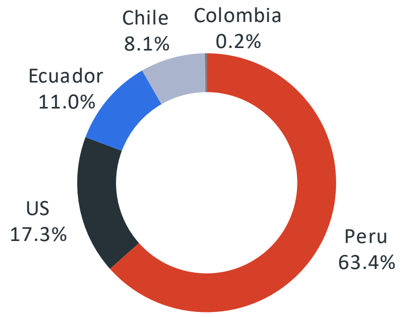
Ownership Structure



Income Statement

PEN mn	2021	2022	2023E	2024E	2025E
Revenues	5,066	5,979	5,869	5,709	5,752
Gross Profit	1,507	1,629	1,572	1,539	1,624
EBITDA	1,538	1,546	1,487	1,475	1,555
Net Income	498	555	526	487	559
EPS (PEN)	0.27	0.3	0.3	0.3	0.3
Gross Margin	29.7%	27.2%	26.8%	27.0%	28.2%
EBITDA Margin	30.4%	25.9%	25.3%	25.8%	27.0%
Net Margin	9.8%	9.3%	9.0%	8.5%	9.7%

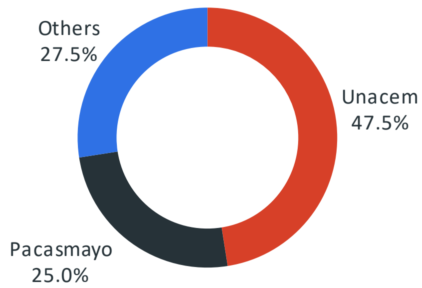
Revenue by geography (2023E)



Balance Sheet

PEN mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	404	340	304	308	301
Total Current Assets	1,764	2,056	2,075	2,036	2,023
Total Assets	11,123	11,389	11,858	11,791	11,773
Current Liabilities	1,773	2,360	2,803	2,667	2,530
Financial Debt	3,928	3,736	4,011	3,585	3,116
Total Liabilities	5,753	5,692	5,880	5,436	4,954
Minority Interest	276	286	214	260	314
Shareholders Equity	5,095	5,411	5,764	6,094	6,504
Total Liabilities + Equity	11,123	11,389	11,858	11,791	11,773
Net Debt /EBITDA	2.3	2.2	2.5	2.2	1.8
Financial Debt /EBITDA	2.6	2.4	2.7	2.4	2.0
Financial Debt /Equity	0.8	0.7	0.7	0.6	0.5
ROAE	10.2%	10.6%	9.4%	8.2%	8.9%
ROAA	4.5%	4.9%	4.5%	4.1%	4.7%
ROIC	8.8%	8.4%	7.6%	7.3%	8.0%

Peruvian cement market share (2023E)



Cash Flow Statement

PEN mn	2021	2022	2023E	2024E	2025E
Initial Cash	**561**	**404**	**340**	**304**	**308**
Cash Flow From Operation:	1,176	896	892	1,026	1,075
CAPEX	-347	-436	-451	-440	-463
Changes in Financial Debt	-528	-192	275	-425	-469
Dividends (Paid) Received	-123	-293	-187	-203	-203
Other CFI & CFF Items	-335	-38	-566	46	54
Changes in Equity	0	0	0	0	0
Final Cash	**404**	**340**	**304**	**308**	**301**
Change in Cash Position	**-157**	**-64**	**-36**	**4**	**-7**

Sources: Company Reports and Credicorp Capital

Management

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

CredicorpCapital

Vapores

Equity Research Chile
Transport

Rating: Hold
TP: CLP 60.0

Marco Zúñiga - mzunigac@credicorpcapital.com

Navigating uncertainty: Hold rating amid declining prospects and tariff risk

Investment Thesis

We are introducing a 2024 target price of CLP 60 for Vapores with a Hold recommendation. Additionally, we anticipate a dividend of CLP 19 in December 2024, estimating a total return of 42% for the stock. We maintain our Hold stance as we observe ongoing industry adjustments, with rates remaining below equilibrium levels. There remains uncertainty about when rates will normalize, creating high volatility and ambiguity surrounding the company's medium-term results.

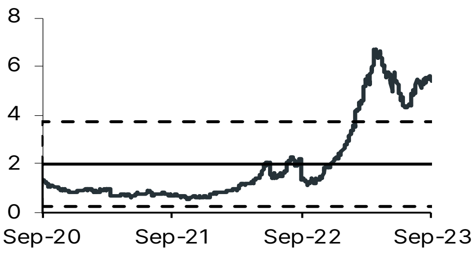
Rates have adjusted below equilibrium levels following historic pandemic-era pricing. This year, we have seen a gradual rate normalization, but, simultaneously, shipping companies have sought to regain market share, intensifying industry competition and driving rates below equilibrium. This trend may persist throughout the year, leading us to anticipate a continued decline in Hapag Lloyd's results in the second half. Additionally, we forecast significantly lower contract rates for the upcoming year, further contributing to weaker results in 2024.

CSAV is expected to distribute approximately CLP 19 per share over the next few quarters. The company has reported that the German tax authorities have retained EUR 1.1 bn for dividend taxes. Furthermore, CSAV Germany distributed a EUR 480 mn dividend in August, of which Vapores is expected to distribute 280 mn in the near term. Accounting for tax deductions, our estimates suggest that Vapores could distribute around CLP 19 per share.

Valuation

Our valuation of Hapag Lloyd is based on two methods: (i) a ten-year SOTP DCF model and (ii) a multiple valuation. Our 202E YE target price is EUR 111. As for Vapores, we set our target price based on a 50/50 valuation between a DDM model and a valuation based on our estimate of fair holding discount, resulting in a target price of CLP 60.

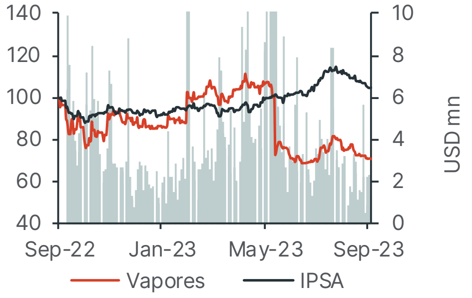
P/E 12M Forward



Stock Data

Ticker	vapores ci
Price (CLP)	55.6
Target (CLP)	60.0
Total Return	42.2%
LTM Range	54 - 87
M. Cap (USD mn)	3,202
Shares Outs. (mn)	51,320
Free Float	100%
ADTV (USD mn)	3.8

Price Chart (CLP) and Volumes (USD mn)



Valuation Summary

	2022	2023E	2024E	2025E
EV/EBITDA	nm	nm	nm	nm
P/E	0.7	6.9	14.9	12.6
P/CF	nm	nm	nm	nm
P/BV	0.5	0.4	0.4	nm
Div. Yield	33.4%	66.5%	34.3%	8.3%

Sources: Company Reports and Credicorp Capital

Rating Risk of Vapores

BBB+ / Stable - A-/Stable

Div. Policy of Vapores's main subsidiary

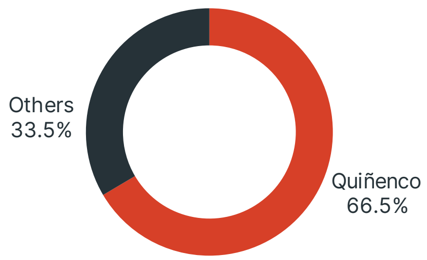
	Div Pol.	Ownership
Hapag Lloyd	50-75%	0.3

Vapores

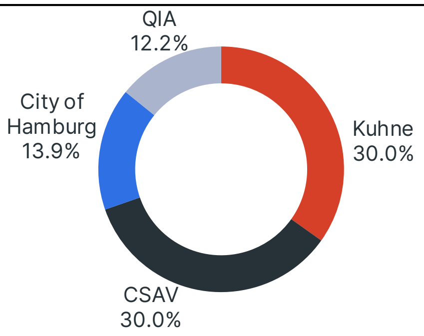
Company Description

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.

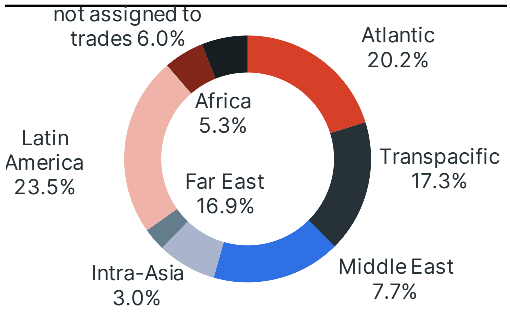
Vapores Ownership Structure



Hapag Lloyd Ownership Structure



Hapag revenue breakdown per trade ltm2Q



Management

CEO: Óscar Hasbún
CFO: Roberto Larraín
IRO: María Elena Palma
www.csav.com

Valuation Hapag Lloyd (EUR mn)	
DCF present value	7,870
perpetuity	11,715
EV	19,585
Net debt	-1,190
Min. Interest	20
Consolidated Equity Value	20,754
2024 YE. Target price (EUR)	119
Valuation Vapores (holding discount (USD mn))	
Equity value Hapag Lloyd	23,007
30% stake	6902
Taxes	-1104
Holding Discount	-1657
Equity value (w/discount)	4141
Shares Out. (mn)	51320
Target Price (w/discount) 2024 YE (USD)	0.081
Target Price (w/discount) 2024 YE (CLP)	64
Valuation Vapores (DDM (USD mn))	
DDM present value	1,617
perpetuity	2,165
2024 YE. Target price (CLP)	55
Average 2024 YE. Target price (CLP)	**60**
Upside	7.9%
Div Yield 2024E	34.3%
Total return	42.3%

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Net Income	3,210	5,563	463	215	254
EPS (CLP)	53	92	8	4	4

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Shareholders Equity	4,883	7,914	8,375	8,589	8,843
ROAE	84.4%	86.9%	5.7%	2.5%	2.9%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Dividends (Paid) Received	-619	-1,355	-2,128	-1,100	-266

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Volcan

Rating: Uperf
TP: PEN 0.40

Equity Research Peru
Mining

Miguel Leiva - miguelleiva@credicorpcapital.com
Orlando Barriga - orlandobarriga@credicorpcapital.com

Equity value lies in non-mining assets; uncertainty in the mining business

Investment Thesis

We are changing our recommendation from Buy to Uperf as we lowered our 2024YE TP to PEN 0.40. Our lower TP is due to lower-than-expected results and zinc prices, higher long-term costs and discount rates and lower value from projects and other assets. However, higher silver prices and forecasted production, the inclusion of the Romina project and the inclusion of EV/EBITDA valuation partially offset the aforementioned effects.

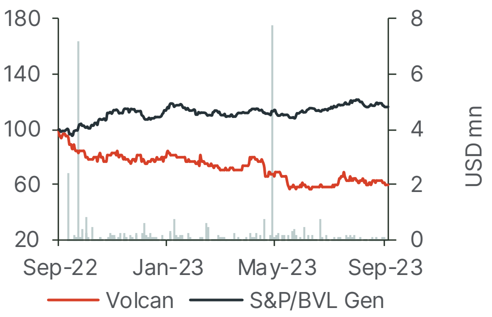
For 2023-2025, we lowered our zinc price forecast to 2,650-2,750 USD/t (prev. 3,000 USD/t) and increased our silver price forecast to 23.5 USD/oz (prev. 21 USD/oz). Regarding zinc equivalent production (with 2023E metal prices), we expect it to increase from 419 kt in 2022 to 451/443/433/451/516 kt in 2023/24/25/26/27 (prev. 402 kt) on higher mineral treatment and the development of the Romina project, which in our base scenario is developed by 2027, contributing 12% of production and 14% of EBITDA. On costs, Volcan should be able to deliver total consolidated production costs below 52.7 USD/t until 2025 but report increasing costs after that as its short life-of-mine (LOM) and less expensive operations deplete. Considering only reserves, Yauli/Chungar/Alpamarca/Cerro/Oxidos will operate until 2030/26/23/24/24, but if we include part of resources in our analysis (ex. Raul Rojas pit), we estimate that operations could last until 2044/36/26/28/36.

Our projections show capital requirements of at least USD 100/170/480 mn in 2024/25/26 for debt payments and Romina's construction. If Volcan successfully sells some assets, it could deleverage to 1.7x ND/EBITDA by 2027 (2.7x 2024E).

Stock Data

Ticker	volcabc1 pe
Price (PEN)	0.39
Target (PEN)	0.40
Total Return	2.7%
LTM Range	0.37 - 0.65
M. Cap (USD mn)	477
Shares Outs. (mn)	2,443
Free Float	100%
ADTV (USD mn)	0.2

Price Chart (PEN) and Volumes (USD mn)



Valuation

We use a 60% DCF (TP of PEN 0.33) and 40% EV/EBITDA valuation (TP of PEN 0.50). The mines (WACC 11.6%) and projects (1% of the R&R) account for USD 712 mn of our EV, the energy business for USD 85 mn (50% 1.2x P/B, 50% 10.1x P/E), the cement business for USD 38 mn (1.0x P/B), the participation in the Chancay Port Project for USD 225 mn (1.5x P/B) and the Chancay Park Project for USD 77 mn (26 USD/m2 for the 397 tradeable hectares). Note we consider a 2024 Net Debt of USD 729 mn. In our EV/EBITDA valuation, we use a 4.9x multiple in line with Volcan's ~9% 5-year historical discount against its peers.

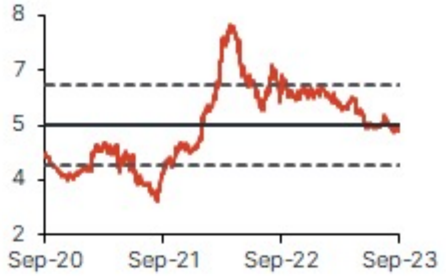
Valuation Summary

	2022	2023E	2024E	2025E
EV/EBITDA	4.5	5.5	4.6	4.5
P/E	-7.5	nm	nm	nm
P/CF	4.7	8.0	8.6	43.2
P/BV	1.6	1.5	1.6	1.7
Div. Yield	0.0%	0.0%	0.0%	0.0%

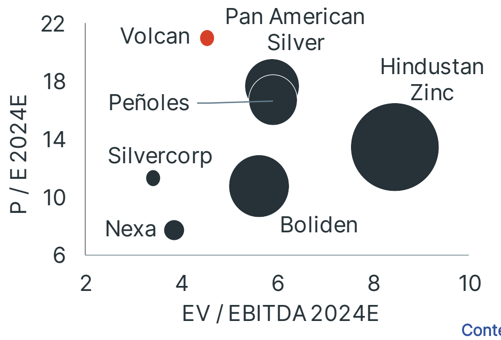
Sources: Company Reports and Credicorp Capital

P/E 12M Forward

EV/EBITDA 12M Forward



Relative Valuation

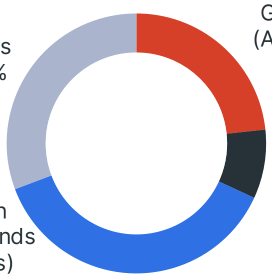


Volcan

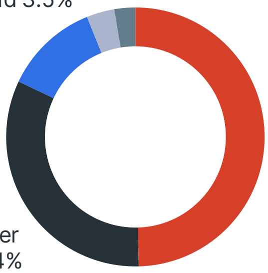
Company Description

Volcan is one of the largest zinc, silver, and lead producers worldwide. It started operations in 1943 and has been under the control of Glencore (63% of A shares) since 2017. The company operates five mining units in Central Peru, with five operating underground mines, one operating open-pit mine, five operating concentrator plants, and one lixiviation plant. The company also has hydroelectric power plants and transmission lines, a 23% participation in the cement company Cementos Polpaico, a 40% stake in the Chancay Port Project (north of Lima), and 100% of the Chancay Park Project.

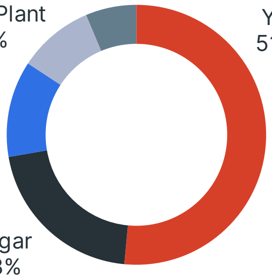
Ownership Structure (2022YE)



Revenue breakdown by metal (2024E)



Revenue breakdown by mining unit (2024E)



Management

CEO: Roberto Huby
CFO: Jorge Murillo
www.volcan.com.pe

Income Statement

USD mn	2021	2022	2023E	2024E	2025E
Revenues	937	951	847	881	873
Gross Profit	281	189	95	129	126
EBITDA	389	299	226	270	276
Net Income	40	-81	-46	-24	-22
EPS (PEN)	0.01	-0.02	-0.01	-0.01	-0.01
Gross Margin	30.0%	19.8%	11.2%	14.7%	14.4%
EBITDA Margin	41.5%	31.4%	26.7%	30.7%	31.6%
Net Margin	4.3%	-8.6%	-5.5%	-2.8%	-2.5%

Balance Sheet

USD mn	2021	2022	2023E	2024E	2025E
Cash & Equivalents	231	74	44	30	28
Total Current Assets	391	225	181	170	167
Total Assets	2,166	1,976	1,867	1,824	1,836
Current Liabilities	755	361	417	433	820
Financial Debt	940	812	777	759	793
Total Liabilities	1,709	1,601	1,538	1,519	1,553
Minority Interest	0	0	0	0	0
Shareholders Equity	457	375	329	304	282
Total Liabilities + Equity	2,166	1,976	1,867	1,824	1,836
Net Debt /EBITDA	1.8	2.5	3.2	2.7	2.8
Financial Debt /EBITDA	2.4	2.7	3.4	2.8	2.9
Financial Debt /Equity	2.1	2.2	2.4	2.5	2.8
ROAE	9.1%	-19.6%	-13.2%	-7.7%	-7.5%
ROAA	1.9%	-3.9%	-2.4%	-1.3%	-1.2%
ROIC	5.4%	-4.2%	0.0%	3.5%	3.6%

Cash Flow Statement

USD mn	2021	2022	2023E	2024E	2025E
Initial Cash	**115**	**231**	**74**	**44**	**30**
Cash Flow From Operation:	366	265	220	259	273
CAPEX	-175	-222	-161	-206	-261
Changes in Financial Debt	-11	-128	-35	-18	34
Dividends (Paid) Received	0	0	0	0	0
Other CFI & CFF Items	-64	-73	174	-49	-49
Changes in Equity	0	0	-228	0	0
Final Cash	**231**	**74**	**44**	**30**	**28**
Change in Cash Position	**116**	**-158**	**-29**	**-14**	**-2**

Sources: Company Reports and Credicorp Capital

CredicorpCapital

Volcan

Fixed Income Research Peru
Mining

Caa1 / NR / B+
Outlook: n / nr / s

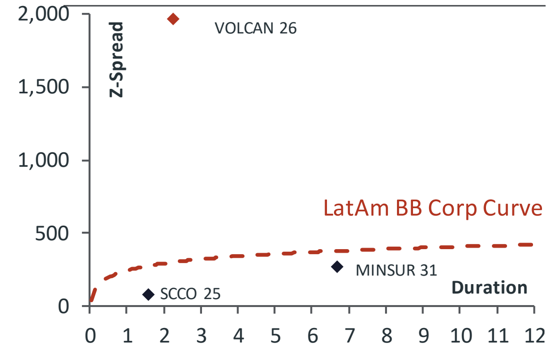
Josefina Valdivia - jvaldivia@credicorpcapital.com

Focus remains on prospective financing solutions ahead.

Investment Thesis

We maintain our UW recommendation for Volcan on concerns over the company's liquidity needs as negotiations with banks have become complicated after Glencore announced its intention to sell its stake and the downgrades of the company's ratings. Management is currently exploring options to tackle the USD 102mn syndicated loan amortization (due in 3Q24), and the USD 140 mn CAPEX needed for the Romina project, including a streaming contract and asset sales (aiming to raise ~USD 150mn). In the medium term, the company also has USD 137 mn and USD 525 mn in debt amortization in 2025 and 2026, respectively. We acknowledge that Volcan has time to address its refinancing needs as it has no relevant debt amortization before 3Q24 and that positive news on this front (financing deals/asset sales) will give some support to the bonds. However, this will depend on size, timing and conditions, for which visibility remains low.

Volcan Bonds and comparables



Credit Data	
REG-S Notes	1
Outstanding Senior Notes	USD 365MM
Closest Call Date	-
Closest Maturity Date	11-Feb-26

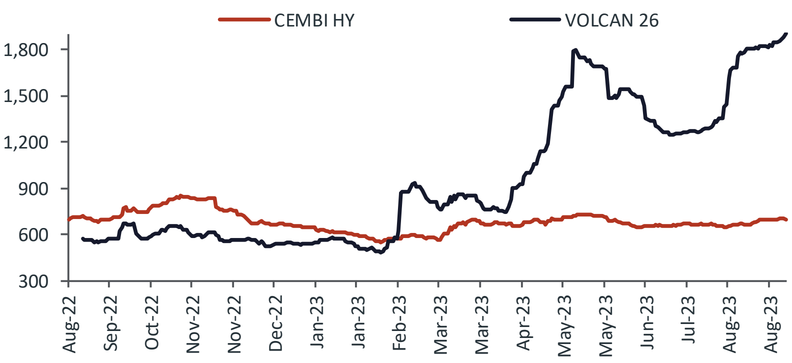
Concerns

- Increasing leverage levels and relevant CAPEX requirements
- Exposure to metal price volatility inherent to the sector
- Low mine lifes
- Uncertanty regarding future controler

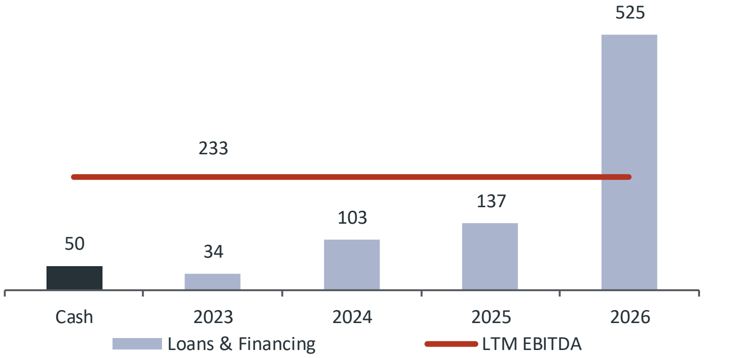
Strengths

-Potential asset sales to enhance liquidty (Polpaico and hydro power plants)

Z- Spread evolution



Debt Maturity Profile



Ticker	Amount	Coupon	Rating	Z-spread	Duration	Price	Carry	YTW	Recommendation
VOLCAN 26	USD 365mn	4.4%	Caa1 / NR / B+	1,961	2.3	64.8	0.6%	24.5%	Underweight

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

Important Disclosures

This research report was prepared by Credicorp Capital Peru S.A and/or Credicorp Capital Colombia Sociedad Comisionista de Bolsa and/or Credicorp Capital S.A. Corredores de Bolsa, companies authorized to engage in securities activities in Peru, Colombia and Chile, respectively and indirect subsidiaries of Credicorp Capital Ltd. (jointly referred to as “Credicorp Capital”). None of the companies jointly referred to as Credicorp Capital are registered as broker-dealers in the United States and, therefore, they are not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution only to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report can do so only through Credicorp Capital, LLC, a registered broker-dealer in the United States. Under no circumstances may a U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments directly through Credicorp Capital.

Credicorp Capital, LLC accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

Any analyst whose name appears on this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and is not a registered representative of Credicorp Capital, LLC and, therefore, is not subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

A. Analyst Disclosures

The functional job title of the person(s) responsible for the recommendations contained in this report is Equity Research Analyst unless otherwise stated on the cover.

Regulation AC - Analyst Certification: Each Equity Research Analyst listed on the front-page of this report is principally responsible for the preparation and content of all or any identified portion of this research report and hereby certifies that with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the Equity Research Analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each Equity Research Analyst also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that Equity Research Analyst in this research report.

Each Equity Research Analyst certifies that he or she is acting independently and impartially from the referenced company/shareholders, directors and is not affected by any current or potential conflict of interest that may arise from any of the companies’ activities.

Analyst Compensation: The research analyst(s) primarily responsible for the preparation of the content of this research report attest(s) that no part of his or her compensation was, is or will be, directly or indirectly, related to the specific recommendations that he or she expressed in the research report.

The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of one of the companies jointly referred as Credicorp Capital, which are non-US affiliates of Credicorp Capital, LLC, a SEC registered and FINRA member broker-dealer. Equity Research Analysts employed by the companies jointly referred as Credicorp Capital, are not registered/ qualified as research analysts under FINRA/NYSE rules, are not registered representatives of Credicorp Capital, LLC and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account. Please refer to www.credicorpcapital.com for further information relating to research and conflict of interest management.

B. Ownership and Material Conflicts of Interest

Other significant Financial Interests

Credicorp Capital, LLC or its affiliates ´beneficially own´ securities issued by the companies referenced in this report according to the following table:

Type of instruments	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	More than USD 2,000,000	More than USD 3,000,000
Other equity securities							
Debt securities	Central Puerto, Pampa Energía, TGS, Aguas Andinas, Antarchile, Banco de Chile, BCI, Besalco, CAP, Cencshopp, Embonor, CCU,Itau, Copec, Enjoy, Forus, Security, Hites, ILC, IAM, Indisa, LTM, Parque Arauco, Plaza, Quiñenco, Ripley, Salfacorp, SK, SMU, SMSAAM, Sonda, Concha y Toro, BVC, Cemargos, CLH, Grupo Argos, Nutresa, ISA, , Mineros, BVL, Pacasmayo, BVN, Aceros Arequipa, Ferreycorp, Aenza, Inretail, Minsur, Cerro Verde, Unacem, Volcan			Enel GX,	AESAndes, Santander, Cencosud, Andina-B, CMPC, Enel Americas, Enel Chile, Falabella, SQM, Davivienda, Canacol, Celsia, Corficolombiana, Grupo Sura, Promigas, Alicorp, Enel Distribución Peru, Enel Gx Peru, Nexa	Colbun, ECL, Ecopetrol, GEB, Grupo Aval, Engie Peru IFS	Entel, Banco de Botota, Bancolombia
Derivatives on equity/debt securities	ILC, Cemargos, Corficol, Ecopetrol, Grupo Argos, Grupo Sur, Alicorp		Cencosud, ECL, BVN	Minsur	CMPC		

The research analyst(s) primarily responsible for the preparation of the content of this research report or their household members ´beneficially own´ securities issued by the companies referenced in this report according to the following table:

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, Ecopetrol, Bancolombia, Compañía Cervecerias Unidas, Enjoy, Plaza S.A., Buenaventura, Minsur		GEB, LATAM			
Debt securities						
Derivatives on equity/debt securities						

C. Compensation and Investment Banking Activities

Credicorp Capital, LLC or its affiliates have managed or co-managed a public offering of securities, in the past 12 months, for the following company(ies): Besalco, Security, Indisa, Quiñenco, Alicorp, Engie Energia Peru.

Credicorp Capital, LLC or its affiliates currently have or had, within the past 12 months, the following company(ies) as investment banking client(s): Santander, Besalco, Empresas Copec, Enjoy, Security, Indisa, Mall Plaza, Quiñenco, Ripley, SMSAAM, Cemargos, Ecopetrol,GEB, Grupo Sur, Isa, Alicorp, Cementos Pacasmayo, BVN, Aceros Arequipa, Engie Energia Peru, Ferreycorp, Aenza, InRetail, IFS, Volcan.

Credicorp Capital, LLC or its affiliates also have received compensation, within the past 12 months, for investment banking services from the following company(ies): Santander, Besalco, Empresas Copec, Enjoy, Security, Indisa, Mall Plaza, Quiñenco, Ripley, SMSAAM, Cemargos, Ecopetrol,GEB, Grupo Sur, Isa, Alicorp, Cementos Pacasmayo, BVN, Aceros Arequipa, Engie Energia Peru, Ferreycorp, Aenza, InRetail, IFS, Volcan.

Credicorp Capital, LLC or its affiliates also expect to receive or intend to seek compensation, in the next 3 months, for investment banking services from the following company (ies): Santander, Besalco, Empresas Copec, Enjoy, Security, Indisa, Mall Plaza, Quiñenco, Ripley, SMSAAM, Cemargos, Ecopetrol,GEB, Grupo Sur, Isa, Alicorp, Cementos Pacasmayo, BVN, Aceros Arequipa, Engie Energia Peru, Ferreycorp, Aenza, InRetail, IFS, Volcan.

D. Other Compensations and Non-Investment Banking Activities

Credicorp Capital LLC or its affiliates currently provide or have provided, within the past 12 months, non-investment-banking securities-related services to the following company(ies): Banco de Chile, BCI, Santander, Itau, Davivienda, Bogota, Bancolombia, BVC, Canacol, Celsia, Cemargos, Corficol, Ecopetrol, Grupo Argos, Grupo Aval, Grupo Sur, Nutresa, Promigas

Credicorp Capital LLC or its affiliates also have received compensation, within the past 12 months, for non-investment-banking securities-related services from the following company(ies): Banco de Chile, BCI, Santander, Itau, Davivienda, Bogota, Bancolombia, BVC, Canacol, Celsia, Cemargos, Corficol, Ecopetrol, Grupo Argos, Grupo Aval, Grupo Sur, Nutresa, Promigas

Credicorp Capital LLC or its affiliates currently provides or have provided, within the past 12 months, non-securities-related services to the following company(ies): Banco de Chile, BCI, Santander, Forus, LTM, Davivienda, Bogota, Bancolombia, BVC, Canacol, Celsia, Cemargos, Ecopetrol, Grupo Argos, Grupo Sura, Nutresa, Promigas, Alicorp, BVL, Pacasmayo, BVN, Aceros Arequipa, Enel Distribución Peru, Enel Generacion Peru, Engie, Minsur, Cerro Verde, Unacem.

Credicorp Capital LLC or its affiliates also have received compensation, within the past 12 months, for non-securities services from the following company(ies): Banco de Chile, BCI, Santander, Forus, LTM, Davivienda, Bogota, Bancolombia, BVC, Canacol, Celsia, Cemargos, Ecopetrol, Grupo Argos, Grupo Sura, Nutresa, Promigas, Alicorp, BVL, Pacasmayo, BVN, Aceros Arequipa, Enel Distribución Peru, Enel Generacion Peru, Engie, Minsur, Cerro Verde, Unacem.

E. Market Making

Credicorp Capital, LLC or its affiliates act as market maker in the following company(ies): Besalco, Security, Indisa, Quiñenco, Canacol, Mineros, Alicorp, BVL, Cementos Pacasmayo, Engie Energía Peru, Ferreycorp.

F. Rating System

Stock ratings are based on the analyst's expectation of the stock's total return during the twelve to eighteen months following assignment of the rating. This view is based on the target price, set as described below, and on the analyst's opinion, general market conditions and economic developments.

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
Companies covered with this rating	50%	42%	5%	3%
Compensation for investment banking services in the past 12 months*	30%	40%	33%	0%

*Percentage of investment banking clients in each rating category.

H. Price Target

Unless otherwise stated in the text of this report, target prices in this report are based on either a discounted cash flow valuation or comparison of valuation ratios with companies seen by the analyst as comparable or a combination of the two methods. The result of this fundamental valuation is adjusted to reflect the analyst's views on the likely course of investor sentiment. Whichever valuation method is used there is a significant risk that the target price will not be achieved within the expected timeframe. Risk factors include unforeseen changes in competitive pressures or in the level of demand for the company's products. Such demand variations may result from changes in technology, in the overall level of economic activity or, in some cases, in fashion. Valuations may also be affected by changes in taxation, in exchange rates and, in certain industries, in regulations. Investment in overseas markets and instruments such as ADRs can result in increased risk from factors such as exchange rates, exchange controls, taxation, and political and social conditions. This discussion of valuation methods and risk factors is not comprehensive – further information is available upon request.

II.ADDITIONAL DISCLOSURES

This product is not for retail clients or private individuals.

The information contained in this publication was obtained from various publicly available sources believed to be reliable, but has not been independently verified by the companies jointly referred as Credicorp Capital, therefore they do not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This report may not be reproduced for further publication unless the source is quoted. This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction. This publication is not for private individuals.

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. The companies jointly referred to as Credicorp Capital have no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of Credicorp Capital.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and Credicorp Capital accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Of Consequently it may be difficult to sell or realize such investments. The past is not necessarily a guide to future performance an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

Credicorp Capital (and its affiliates) has implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business, which are available upon request. The Credicorp Capital research analysts and other staff involved in issuing and disseminating research reports operate independently of Credicorp Capital's Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of Credicorp Capital or clients to ensure that price sensitive information is handled according to applicable laws and regulations.

Country and region disclosures

United Kingdom: This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons and other classes of person should not rely on this document.

United States: This communication is only intended for, and will only be distributed to, persons residing in any jurisdictions where such distribution or availability would not be contrary to local law or regulation. This communication must not be acted upon or relied on by persons in any jurisdiction other than in accordance with local law or regulation and where such person is an investment professional with the requisite sophistication to understand an investment in such securities of the type communicated and assume the risks associated therewith.

This communication is confidential and is intended solely for the addressee. It is not to be forwarded to any other person or copied without the permission of the sender. This communication is provided for information only. It is not a personal recommendation or an offer to sell or a solicitation to buy the securities mentioned. Investors should obtain independent professional advice before making an investment.

Notice to U.S. Investors: This material is not for distribution in the United States, except to “major US institutional investors” as defined in SEC Rule 15a-6 ("Rule 15a-6") and related guidance. Credicorp Capital and its affiliates has entered into arrangements with Credicorp Capital, LLC, which enables this report to be furnished to certain U.S. recipients in reliance on Rule 15a-6 through Credicorp Capital, LLC, which is registered under the U.S. Securities Exchange Act of 1934, as amended.

Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engages in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of the Credicorp Capital, LLC that provided the report.

Credicorp Capital, LLC is a broker-dealer registered with the SEC, a member of FINRA and SIPC. You can reach Credicorp Capital, LLC. At 1111 Brickell Avenue, Suite 2825, Miami, Fl. 33131 , phone (305) 4550970.

You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC directly at 202-371-8300; website: http://www.sipc.org

Credicorp Capital, LLC, is a wholly owned subsidiary of Credicorp Capital Ltd.

Nothing herein excludes or restricts any duty or liability to a customer that Credicorp Capital, LLC have under applicable law. Investment products provided by or through Credicorp Capital, LLC are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page and are not guaranteed by Credicorp Capital, LLC

Investing in non-U.S. Securities may entail certain risks. The securities referred to in this report and non-U.S. issuers may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Securities discussed herein may be rated below investment grade and should therefore only be considered for inclusion in accounts qualified for speculative investment.

Analysts employed by one of the companies jointly referred to as Credicorp Capital, all of which are non-U.S. broker-dealers, are not required to take the FINRA analyst exam. The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position.

In jurisdictions where Credicorp Capital, LLC is not registered or licensed to trade in securities, or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on sources believed to be reliable, but Credicorp Capital, LLC does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information and are subject to change without notice.

Credicorp Capital, LLC or its affiliates may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

Credicorp Capital, LLC and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer. The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

Colombia: For clients of Credicorp Capital Colombia S.A. or Credicorp Capital Fiduciaria S.A., the content of this communication or message does not constitute a professional recommendation to make investments under the terms of article 2.40.1.1.2 of Decree 2555 of 2010 or the regulations that modify, replace or complement it.

Other countries: Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

ANNUAL INVESTOR
GUIDE 2024.

This page has been intentionally left blank

ANNUAL INVESTOR GUIDE 2024.

Credicorp Capital

ALLIES EMPOWERING YOUR DECISIONS

INVESTOR CONFERENCE 2023

SEP. 27 / 28 — LIMA, PERU