# Latin American Corporate Credit Indicators: Fourth-Quarter 2022

## Corporate Liquidity Is Deteriorating

**Argentina Downgraded:** Argentina was downgraded to 'C' from 'CCC–' on March 24, 2023 due to deteriorating economic conditions. Inflation is roughly at 98%, the highest in decades, driven by a monetary policy overhang, global price pressures and depreciation expectations contaminating price-setting behaviors.

The central bank lifted its policy rate to 75% from 45%, after years of holding it stable. These actions have not delivered the positive real rates envisioned in the Extended Fund Facility. However, given the disconnect between the FX rate and inflation, some companies have taken advantage of negative real rates to finance upcoming maturities or capex at zero cost.

**Challenging Environment in Brazil:** Refinancing risks for corporates in Brazil (BB–/Stable) are manageable in 2023–2024, with the majority of debt related to bank loans. Local and international bonds total USD11.2 billion in 2023, or 27% of total maturities, and USD12.3 billion in 2024, or 50%, for the international portfolio.

Banks' willingness to refinance at adequate credit conditions is uncertain. Abundant liquidity in the last two years in the debt market vanished after Americanas S.A.'s (D) bankruptcy filing, followed by financial difficulties of other large issuers. As a result, refinancing risks for Brazilian corporates significantly increased, which could result in negative ratings implications if credit restrictions persist in the next few months.

**Liquidity Tight in Chile:** Cross-border issuers in Chile (A–/Stable) are prepared to manage debt maturities of USD8.1 billion in 2023 and USD7.5 billion in 2024. Fitch believes corporates are prepared to face amortization schedules even with reduced liquidity. Median cash/short-term debt was 1.2x and cash plus cash flow from operations (CFO)/short-term debt was 2.3x, as of Sept. 30, 2022, compared with 2.8x and 4.2x, respectively, at YE 2021.

Cross-border financial debt has sector concentration, as natural resources, energy and retailing account for 73% of total maturities in 2023–2024. Seven issuers comprise 60% of amortizations, and most of these maturities are from investment-grade issuers with proven financial flexibility.

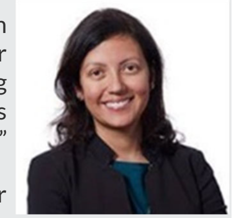
**Higher Funding Costs in Colombia:** Corporates in Colombia (BB+/Stable) hold adequate liquidity, with higher cash on hand and low short-term debt, with median short-term debt/total debt at 10%. Since the pandemic, companies are holding cash on hand of around half a turn of EBITDA.

Median liquidity, measured as cash/short-term debt, is projected at 1.3x in 2023, and cash plus CFO/short-term debt is expected at 5.0x. Higher funding costs are forecast to result in a decline in average interest coverage to 5.3x in 2023 and 5.5x in 2024 from historical levels close to 7.0x. High funding costs are expected in 2023–2024, given inflation, spreads and tighter regulatory requirements for banks.

**Manageable Debt Maturities in Mexico:** Liquidity profiles remain sound in Mexico (BBB–/Stable) with no major maturities in 2023. Mexican corporates entered 2023 with comfortable liquidity. Most companies have healthy cash balances, manageable debt maturities and good access to credit through local banks and capital markets. Median cash/short-term debt is estimated at 4.0x for YE 2022, similar to 3.9x for YE 2021. Projected median cash/short-term debt for 2023 is 4.6x.

"Latin American corporates exhibit healthy liquidity ratios, although liquidity is deteriorating from pandemic highs. A combination of slower economic growth, high inflation and elevated financing costs are affecting cash flow generation. Refinancing activity and short-term amortizations appear manageable, given the expected resiliency of banking in the region."

Martha Rocha, Managing Director



**Refinancing Needs Feasible in Peru:** Fitch forecasts limited international corporate debt market activity in 2023 in Peru (BBB/Negative). About 62% of total outstanding corporate debt is linked to U.S. bond issuance and most international debt maturities are due after 2025. Less than 8% of corporate bonds are due in 2023–2024. Bank debt serves as a second source of financing after bonds for issuers rated by Fitch in Peru and accounts for the main refinancing needs in 2023.

The local bond market appears to be a limited source of financing at less than 10% of bonds issued. We estimate USD3.1 billion of total debt is due in the next two years and less than USD1.6 billion is corporate bank debt. This situation is manageable, as the stock of commercial corporate loans in Peru was USD59 billion, of which USD23 billion is in foreign currency as of October 2022.

### Latin American and Caribbean Key Economic Data (Median)

| (%) | 2016–2020 Average | 2021 | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Real GDP Growth | 0.1 | 8.0 | 4.0 | 2.4 | 2.5 |
| Consumer Prices (Annual Average Growth) | 3.3 | 4.3 | 8.5 | 6.5 | 4.3 |
| General Government Balance of GDP | -3.5 | -4.1 | -2.7 | -2.6 | -2.0 |
| General Government Debt of GDP | 45.4 | 60.9 | 58.1 | 60.5 | 61.0 |
| General Government Interest Expense of Revenue | 10.3 | 11.0 | 12.6 | 13.8 | 12.3 |
| Current Account Balance of GDP | -1.4 | -2.1 | -3.2 | -2.6 | -2.8 |
| Public Foreign Currency Debt of Total | 54.0 | 54.1 | 51.6 | 48.0 | 45.6 |
| Net External Debt of CXR | 37.5 | 32.6 | 25.1 | 21.0 | 23.3 |

F – Forecast. CXR – Current external receipts.
Source: Fitch Ratings Sovereign Data Comparator as of March 27, 2023

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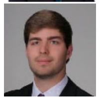
## Related Research

Latin American Corporates Spotlight Series: Argentina (Refinancing Activity Mitigates Short-Term Risk) (February 2023)
Latin American Corporates Spotlight Series: Brazil (Market's Shift to More Risk Aversion May Be Temporary (February 2023)
Latin American Corporates Spotlight Series: Chile (Low Refinancing Risk, Manageable Amortizations) (February 2023)
Latin American Corporates Spotlight Series: Colombia (Challenges Ahead Despite Healthy Liquidity) (February 2023)
Latin American Corporates Spotlight Series: Mexico (Strong Liquidity in a Challenging Environment) (February 2023)
Latin American Corporates Spotlight Series: Peru (Scarce Market Activity, Refinancing Risk Manageable) (February 2023)

## Analysts


**Martha Rocha**
+1 212 908-0591
martha.rocha@fitchratings.com


**Aaron McGaffigan**
+ 1 312 368-3132
aaron.mcgaffigan@fitchratings.com

# Argentine Corporate Credit Indicators: Fourth-Quarter 2022

## Uncertainty and Increased Sovereign Risk Ahead of Elections

“Argentina is facing a 30-year high in inflation, strained repayment capacity and pressured foreign reserves. Still, while uncertainty looms ahead of an election season, corporates have been able to extend debt maturities at competitive rates through local market issuances and debt exchanges.”

Julie Garcia Seebach, Director

**Mounting Vulnerability:** Fitch Ratings forecasts a highly vulnerable situation for Argentina (C) as the nation has been conducting debt swaps of Argentine peso securities since July 2022. The government also began buying back foreign currency debt securities in January 2023 via the secondary market to extend debt maturities.

Authorities are currently in discussions with banks, insurance providers and private holders of local Argentine bonds due in 2023 requesting holders to exchange the bonds for new bonds maturing in 2024 and beyond. Sovereign repayment capacity is under intensifying strain, as reflected in Fitch’s recent downgrade of Argentina to ‘C’ from ‘CCC–’ on March 24, 2023.

The downgrade reflects deep macroeconomic imbalances and constrained external liquidity, undermining the nation’s repayment capacity as FX debt service ramps up. This precarious situation reflects our view local currency repayment capacity is compromised, as a heavy load of peso maturities due in 2023 could be hard to roll over in the event of pre-election market jitters.

**Most Issuers Downgraded:** Most Argentine corporates were downgraded, in line with the sovereign. Ratings of Argentine utilities AES Argentina, Generacion Mediterranea, Genneia and MSU Energy were all downgraded to ‘CCC–’ as each issuer’s revenues are highly exposed to the government. YPF’s (CCC–) ratings were downgraded due to its ownership structure and historical precendents of government intervention, while CLISA (CCC–) was downgraded due to a tight liquidity profile.

Arcor (B/Stable) and Mastellone (B–/Stable) remain at, or above, Argentina’s Country Ceiling of ‘B–’. The Local Currency (LC) Issuer Default Ratings were downgraded one notch to ‘B’ and ‘B–’, respectively, following the LC downgrade of the sovereign. Fitch expects Arcor will be able to cover hard currency interest expense with a combination of cash held abroad, export earnings and cash flow from subsidiaries outside Argentina. Mastellone’s 2021 debt exchange reduced refinancing risk by lowering exposure to the U.S. dollar and extending the larger portion of debt repayments to 2026.

Arcos Dorados was upgraded to ‘BB+’ from ‘BB’ on Feb. 27, 2023 due to improving credit metrics from a successful refinancing of its 2023 and 2027 bonds, and strong performance across most of its markets in 2022. Fitch expects stable leverage, good operational performance and continued organic growth for Arcos Dorados funded from internal cash flow generation. IRSA was upgraded to ‘B–’ from ‘CCC–’ on Feb. 9, 2023 due to decreased default risk following refinancing of its 2023 notes. Fitch expects IRSA’s EBITDA to remain near USD100 million and cash flows from operations to reach USD40 million annually over the forecast period.

**Eroding International Reserves:** The IMF and Argentina launched the Extended Fund Facility (EFF) in March 2022, which failed to be a strong anchor for policy improvements to build international reserves and improve prospects for recovery of market access. Argentina complied with the key targets set in the EFF as net international reserves (NIR) rose to USD8.6 billion in 2022, by our estimates, but macroeconomic imbalances persist as measures used, such as the “soy dollar”, are makeshift adjustments rather than sustainable remedies.

The increase in NIR was achieved by net financing from the IMF, which will turn negative this year. The soy dollar mechanism entails the Central Bank of Argentina, Banco Central de la Republica Argentina (BCRA) buying FX from soy exporters at a premium over the rate it sells FX and postponing FX provisions to importers. This approach is unlikely to lead to a sustained reserve build-up.

**Capital Controls Extended:** The BCRA extended restrictions in accessing the official FX market, forcing companies to exchange up to 60% of U.S. dollar-denominated debt. The rule was extended to YE 2023 from December 2022, aiming to increase diminished U.S. dollar reserves.

Most corporates managed to issue local notes to finance maturities or conduct debt exchanges. Pampa Energia (B–/Stable), IRSA and Arcor conducted debt exchanges in 2022 to mitigate the effects of capital controls, allow for debt reduction and extend debt maturities. More than 80%, or USD1.7 billion, of Fitch-rated international bonds maturing in 2023 were refinanced, while 43%, or USD916 million, of debt maturing in 2024 was refinanced. Companies extended local maturities in local markets, taking advantage of negative real rates.

**Companies Exploiting Financing Cost and Inflation Spread:** Inflation is roughly at 98%, the highest in decades, driven by a monetary overhang, global price pressures and depreciation expectations contaminating price-setting behaviors. The BCRA lifted its policy rate to 75% from 45%, after years of holding it stable. These actions have not yet delivered the positive real rates envisioned in the EFF. However, given the disconnect between the FX rate and inflation, some companies have taken advantage of negative real rates to finance upcoming maturities or capex at zero cost.

The 3,700bps interest rate increase does directly affect companies relying on short-term financing for working capital needs but our rated portfolio has a median of 27.2% for short-term debt/total debt. Issuers in the portfolio have good liquidity, with cash/short-term debt of 1.0x, as of 3Q22. The higher rates could spread to trade finance, increasing the overall cost of financing.

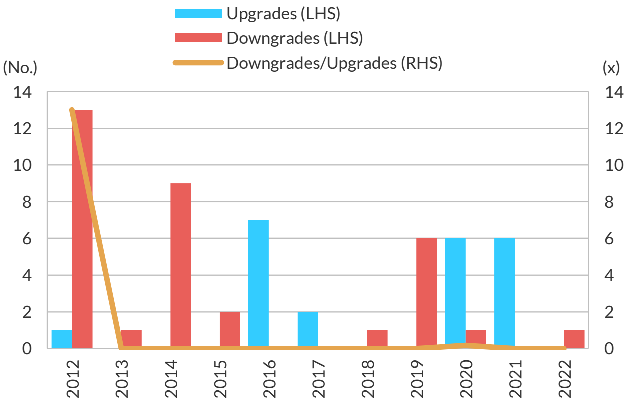
**Fleeting Fiscal Performance:** Argentina’s fiscal deficit narrowed to 2.6% of GDP in 2022 from 3.3% in 2021 reflecting transitory effects rather than structural adjustments. Achieving the EFF target in 2023 of 1.9% of GDP will be difficult. Authorities announced a long-awaited rollback in energy subsidies, which could yield savings of around 0.5% of GDP in 2023. No other major measures, aside from energy subsidy cuts, were announced and spending pressure will be high, due to the upcoming presidential election and an expected sharp slowdown in economic growth.

**Momentum Missing in Commodity Prices:** Costly energy imports are eroding the capacity to benefit from high international commodity prices. The electricity market remains a priority, according to the IMF deal. Further regulatory revisions will reduce costs and prevent the system from being insolvent. Government subsidies to the Wholesale Electricity Market Clearing Company in 2022 totaled USD8.4 billion representing 65% of the USD12.9 billion total implied cost of the electricity system.

**Agreed Prices and FX Limit Flexibility:** Companies are forced to export at the official FX rate reducing the viability of exports, as it diminishes the real value due to increasing inflation. Similarly, products across 15 sectors are now under the Precios Justos, or Just Prices program, which is aimed at reducing inflationary expectations and stabilizing prices in the short term.

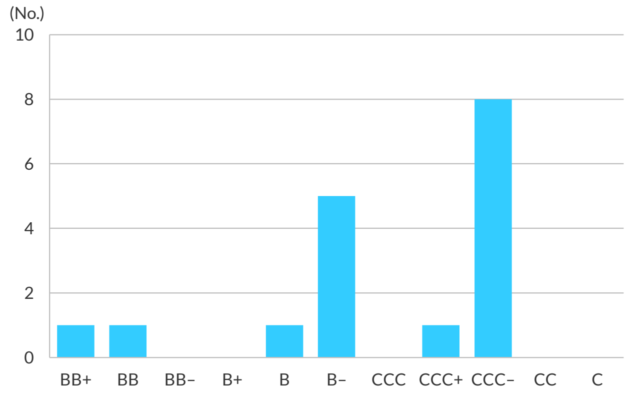
# Argentine Corporates: Rating Portfolio

### Downgrades and Upgrades: International Scale
(As of Feb. 23, 2023)



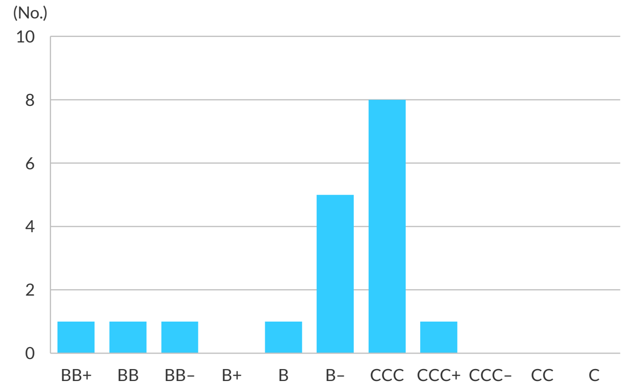

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

### Argentine Corporate Ratings Distribution: International Scale
(As of Feb. 23, 2023)



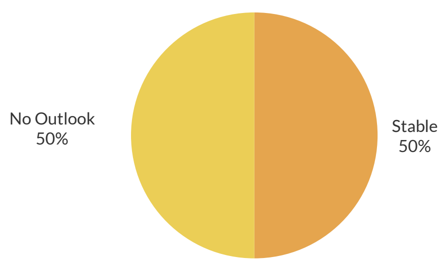

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

### Argentine Corporate Ratings Distribution: International Scale
(As of Feb. 16, 2022)



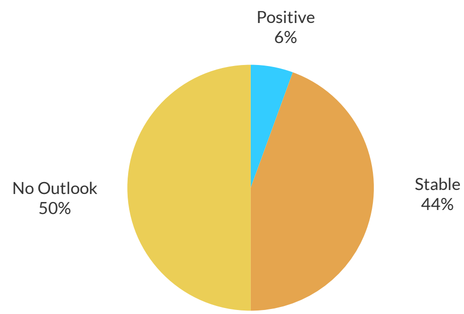

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

### Rating Outlook/Watch: International Scale
(As of Feb. 23, 2023)



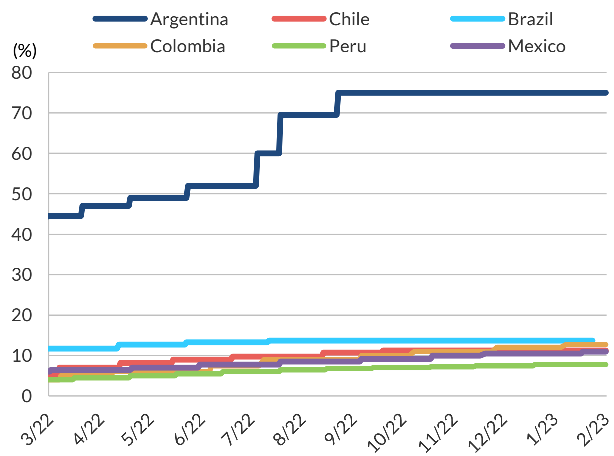

Note: Issuers rated 'CCC' do not have Outlooks
Source: Fitch Ratings

### Rating Outlook/Watch: International Scale
(As of Feb. 16, 2022)




Note: Issuers rated 'CCC' do not have Outlooks
Source: Fitch Ratings

### Central Bank Rates by Country




Source: Fitch Ratings, Fitch Solutions

# Argentine Corporates: Sector Risks Profile

## Key Risks for Argentine Corporates in 2023

- Election uncertainty; five potential candidates polling greater than 10%, currently, have declared interest
- Negotiations to refinance sovereign debt could result in government pressure on corporates to stabilize public finances
- Price controls affect profitability of several industries; recovery will stall in 2023
- Restrictions to FX convertibility could result in distressed debt exchanges, even for high-performing companies
- FX depreciation and higher FX risk in the event of depreciation
- Inflationary pressures leading to selling, general and administrative expense pressures, and declining demand
- Corruption and scandals, with utility companies facing difficult operating environments amid federal graft investigations

Source: Fitch Ratings, Fitch Solutions

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| AES Argentina Generacion S.A. | Green | Red | Yellow | Yellow | Yellow | Yellow |
| Agua y Saneamientos Argentinos S.A. (AySA) | Yellow | Red | Green | Yellow | Red | Yellow |
| Arcor S.A.I.C. | Green | Yellow | Green | Yellow | Yellow | Green |
| Arcos Dorados Holdings Inc.[a] | Green | Yellow | Green | Yellow | Green | Green |
| Capex S.A. | Green | Red | Yellow | Yellow | Yellow | Yellow |
| CLISA—Compania Latinoamericana de Infraestructura y Servicios | Yellow | Red | Green | Yellow | Yellow | Green |
| Compania General de Combustibles S.A. | Green | Red | Red | Yellow | Yellow | Yellow |
| Generacion Mediterranea S.A. | Green | Red | Yellow | Yellow | Red | Yellow |
| Genneia S.A. | Green | Red | Yellow | Yellow | Red | Yellow |
| IRSA Inversiones y Representaciones S.A. | Green | Red | Green | Yellow | Green | Green |
| Mastellone Hermanos S.A. | Green | Yellow | Green | Yellow | Yellow | Green |
| MercadoLibre, Inc. | Green | Yellow | Green | Green | Green | Green |

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| MSU Energy S.A. | Low | High | Medium | Medium | High | Medium |
| Pampa Energia S.A. | Low | High | Medium | Medium | Medium | Low |
| Petroquimica Comodoro Rivadavia S.A. | Low | High | High | Medium | Medium | Low |
| Telecom Argentina S.A. | Low | Medium | Low | Medium | Low | Medium |
| YPF S.A. | Low | High | High | Medium | Medium | Medium |

| | |
|---|---|
| **Low Risk** | green dot |
| **Medium Risk** | yellow dot |
| **High Risk** | red dot |

[a]Arcos Dorados Holdings, Inc.'s headquarters are in Argentina but the majority of its operations are outside the country. ESG – Environmental, social and governance.
Source: Fitch Ratings, Fitch Solutions

## Argentine Corporates: Sector Risks Profile

### Argentine Corporate Ratings: Outlook by Issuer

| Sector | LT FC IDR | Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|
| AES Argentina Generacion S.A. | CCC– | N.A. | Low | Dependence on payments from the Wholesale Electricity Market Clearing Company exists, although sector regulations and tariffs are improving. |
| Agua y Saneamientos Argentinos S.A. (AySA) | CCC– | N.A. | Low | The company completed a debt exchange at YE 2022 to comply with the Central Bank of Argentina's capital control restrictions. The company restructured USD500.0 million 6.625% senior notes due 2023 with a USD167.3 million cash payment and a new USD309.8 million 7.9% senior unsecured amortizing note due 2026.<br>Available cash and investments totaled USD72.7 million as of Sept. 30, 2022. Liquidity relies on cash injections from the majority government-owned shareholder, given the inability to generate internal cash and restricted access to debt and capital markets on a standalone basis. Liquidity is expected to remain weak in the future. |
| Arcor S.A.I.C. | B | → | High | The rating is one notch higher than Argentina's Country Ceiling of 'B–'. Fitch expects Arcor will be able to cover hard currency interest expense with a combination of cash held abroad, export earnings and cash flow from subsidiaries outside Argentina. |
| Arcos Dorados Holdings Inc. | BB+ | N.A. | High | Arcos Dorados shows improved credit metrics due to the successful refinancing of its 2023 and 2027 bonds, and strong operational performance across most of its markets in 2022. Fitch expects stable leverage, good operational performance, and continued organic growth funded from internal cash flow generation. |
| Capex S.A. | CCC+ | N.A. | Medium | The issuer is an integrated thermoelectric generation company with a vertically integrated business model, providing an advantage over other Argentine generation companies. |
| CLISA – Compania Latinoamericana de Infraestructura y Servicios | CCC– | N.A. | Medium | The company relies on contractual government agreements with regulations and lengthy renegotiation periods. A currency mismatch exists as 85% of debt is foreign currency denominated. An embargo was placed on one of the company's subsidiaries. |
| Compania General de Combustibles S.A. | B– | → | High | Relatively low and concentrated reserves life, offset by an increase in production. |
| Generacion Mediterranea S.A. | CCC– | N.A. | Low | An aggressive expansion plan to increase capacity resulted in pressured credit metrics that should normalize once new projects begin operations. |
| Genneia S.A. | CCC– | N.A. | Low | The dominant issuer in renewables. A robust capacity expansion plan over the next few years brings execution risk and capex. |
| IRSA Inversiones y Representaciones S.A. | B– | N.A. | Medium | The ratings reflect declining default risk following IRSA's successful refinancing of its 2023 notes. EBITDA surpassed USD100 million in 2022, and Fitch expects it to remain near this level. The recovery of mall activity was the main driver for the improvement. The Foreign Currency Issuer Default Rating of 'B–' is constrained by Argentina's Country Ceiling. |
| Mastellone Hermanos S.A. | B– | → | Medium | Exposure to currency risk exists, as debt is U.S. dollar denominated and sales are mainly in Argentine pesos, and is exacerbated by FX convertibility restrictions. Mastellone remains the largest dairy company and the leading processor of dairy products. Arcor owns about 43% of the company. |
| MercadoLibre, Inc. | BB+ | → | High | The company is well positioned to benefit from a trend of increased online retail penetration and growth of FinTech transactions in most of its markets. The rating is not constrained by Brazil's Country Ceiling of 'BB', given its ability to cover hard currency debt service with cash held offshore or in higher-rated countries. |

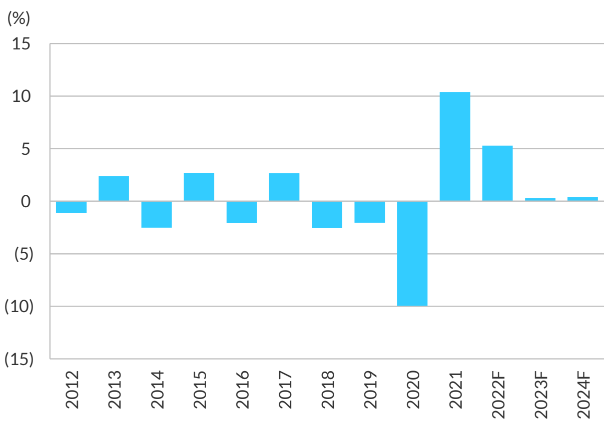
## Argentine Corporate Ratings: Outlook by Issuer

| Sector | LT FC IDR | Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|
| MSU Energy S.A. | CCC– | N.A. | Low | A high dependence on payments from the Wholesale Electricity Market Clearing Company exists, with ratings aligned to counterparty risk, as it relies on financial support from the Argentine government. |
| Pampa Energia S.A. | B– | ➡ | Low | Significant market share across all business lines. A leading company in the midstream, transmission and electricity distribution segments as Pampa Energia co-controls Transportadora de Gas del Sur S.A. (TGS), Compañia de Transporte de Energia Electrica en Alta Tension Transener S.A. (Transener) and is a majority owner of Empresa Distribuidora y Comercializadora Norte S.A. (EDENOR). |
| Petroquimica Comodoro Rivadavia S.A. | B– | ➡ | High | Small oil and gas production size and reserve concentration. An aggressive capex plan, which will predominately be financed with project finance debt. The construction of wind farm projects should have a positive effect. |
| Telecom Argentina S.A. | B– | ➡ | Medium | A solid financial profile, underpinned by robust operational cash flow generation and a conservative capital structure. A volatile macroeconomic environment can affect cash flow. Telecom Argentina remains a leading provider in a mature, competitive market. |
| YPF S.A. | CCC– | N.A. | Medium | YPF completed the exchange for seven outstanding international bonds totaling USD6.2 billion, including bonds maturing in 2021. This exchange was viewed by Fitch as a distressed debt exchange. YPF does not face relevant maturities until YE 2023 but operational results continue to be pressured by the challenging economic recovery. |

⬇ = Negative Outlook. ➡ = Stable Outlook. ⬆ = Positive Outlook.
N.A. – Not applicable
Source: Fitch Ratings, Fitch Solutions

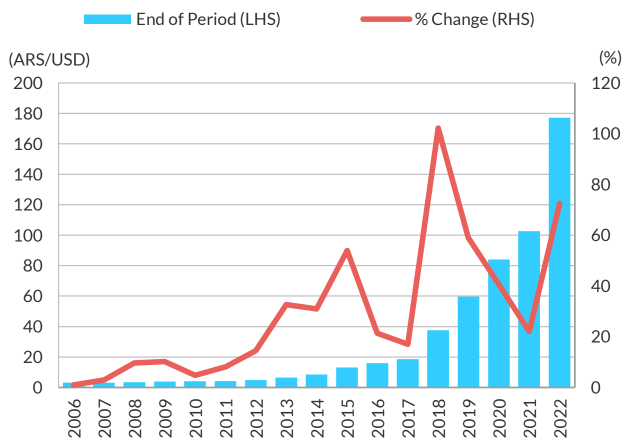
# Argentine Corporates: Key Macro Variables

## Argentine Real GDP Growth




F – Forecast
Source: Fitch Ratings

## FX Rate

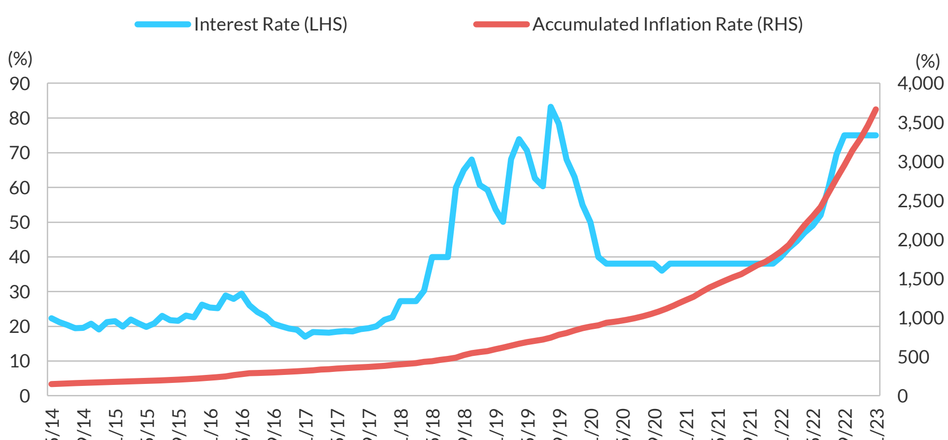



Source: Fitch Ratings, International Monetary Fund

## Consumer Confidence


Source: Centro de Investigacion de Finanzas, Universidad Torcuato di Tella

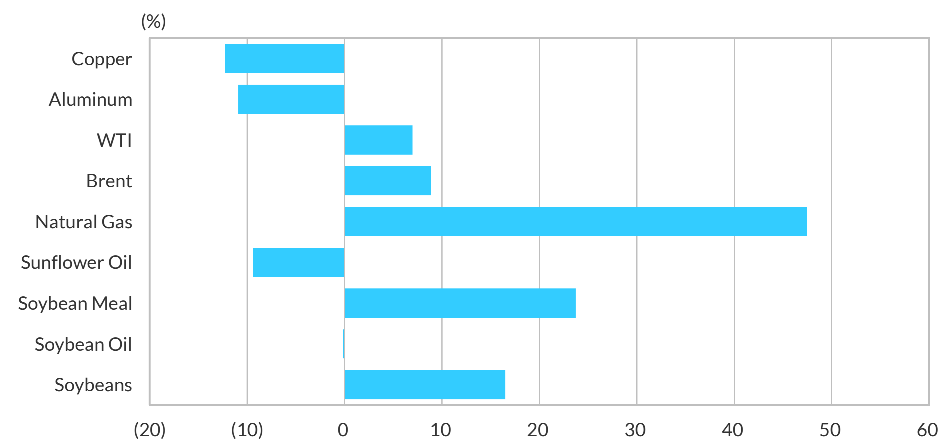
## Inflation and Interest Rates




Note: Inflation rate shown is for the city of Buenos Aires, Argentina
Source: Banco Central de la Republica Argentina, Gobierno de la Ciudad de Buenos Aires

## Key Commodity Price Changes

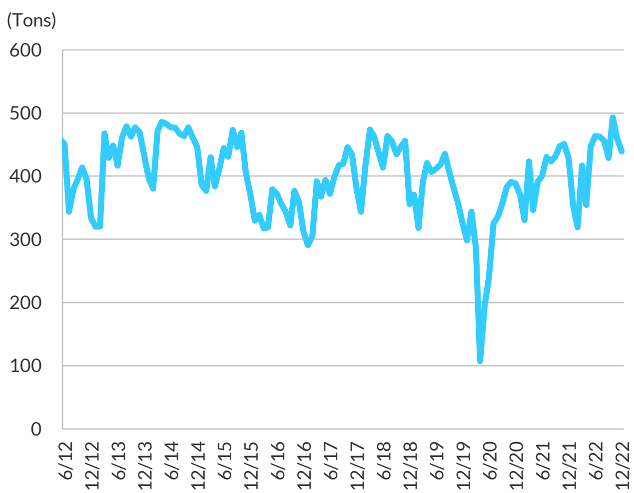
(Yoy Dec. 31, 2022)




WTI – West Texas Intermediate
Source: World Bank

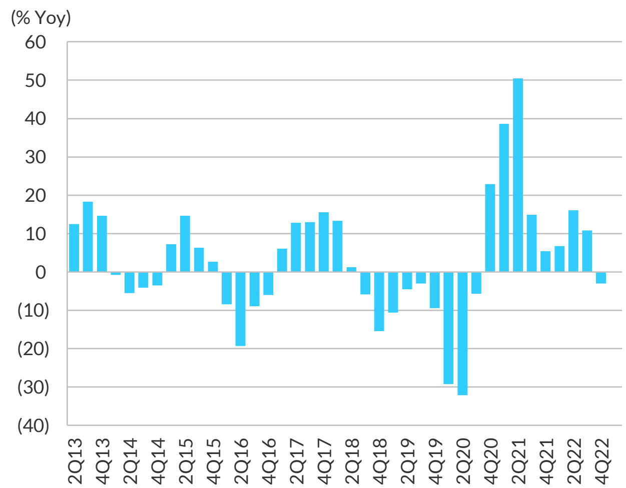
## Argentine Corporates: Key Macro Variables

### Steel Production



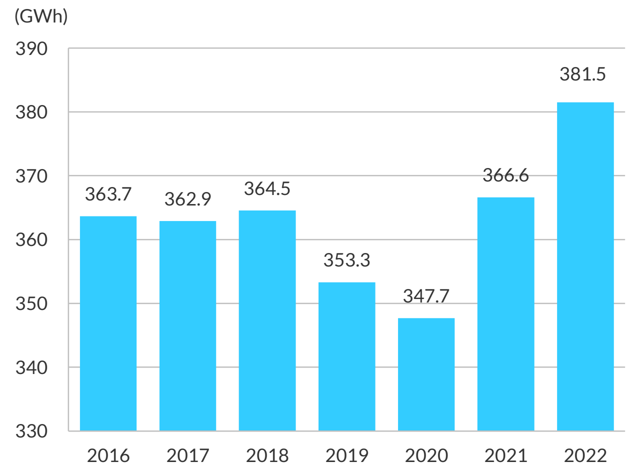

Source: Fitch Ratings, Camara Argentina de Acero

### Cement Consumption



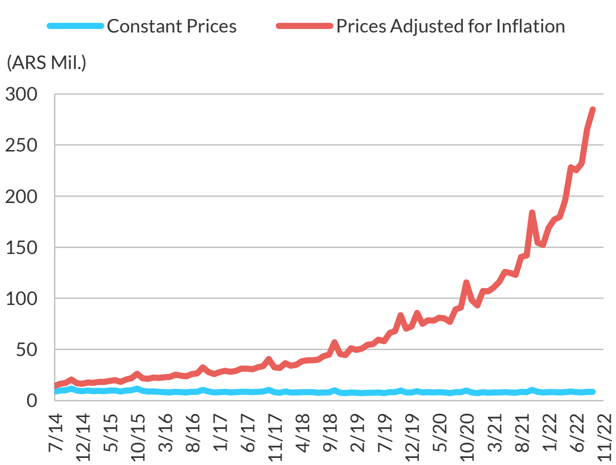

Source: Fitch Ratings, Asociacion de Fabricantes de Cemento Portland

### Annual Average Daily Energy Demand



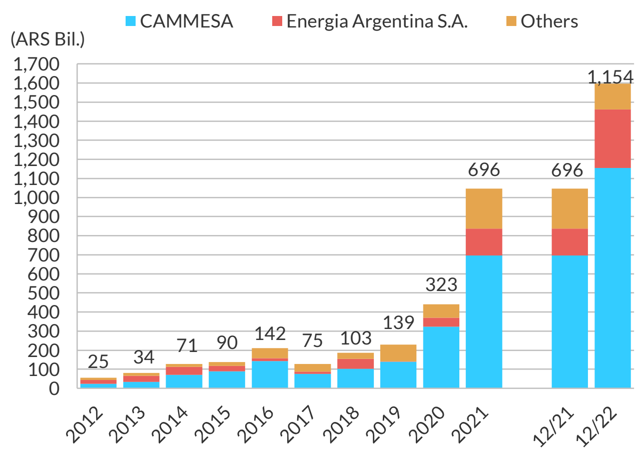

GWh – Gigawatt-hours
Source: Fitch Ratings, Ministerio de Energia y Mineria

### Supermarket Sales



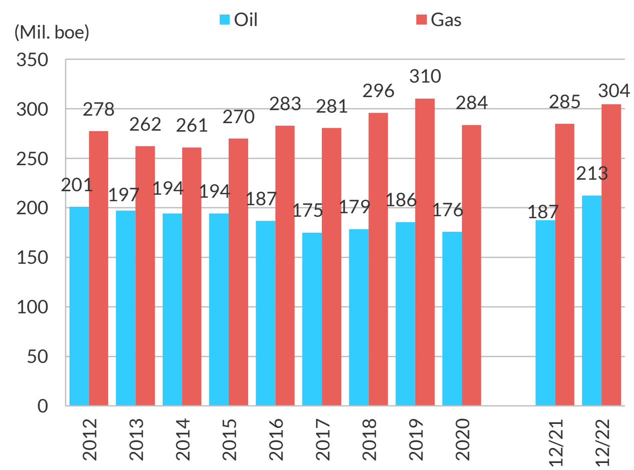

Source: Fitch Ratings, Ministerio de Hacienda y Finanzas, Publicas Programacion Macroeconomica

### Energy Sector Subsidies




CAMMESA – Compania Administradora del Mercado Mayorista Electrico S.A.
ENARSA – Energia Argentina S.A.
Source: Asociacion Argentina de Presupuesto y Administracion Financiera Publica.

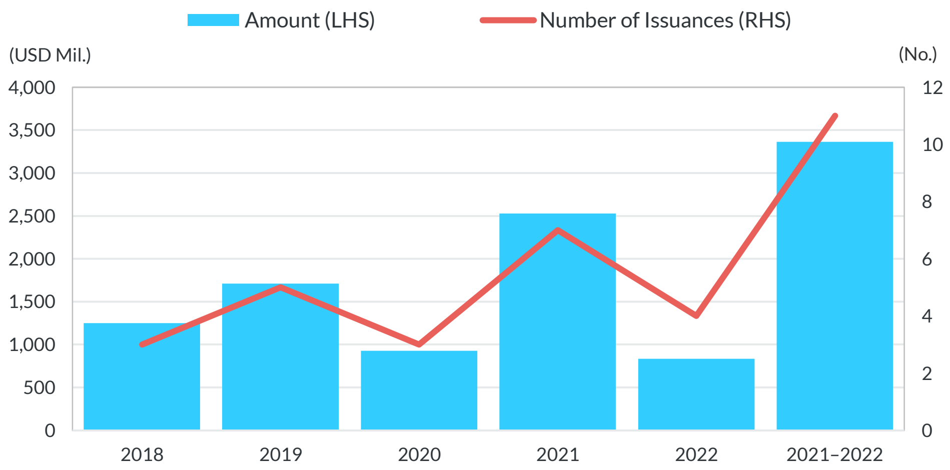
### Oil and Gas Production




Boe – Barrels of oil equivalent
Source: Fitch Ratings, Ministerio de Energia y Mineria

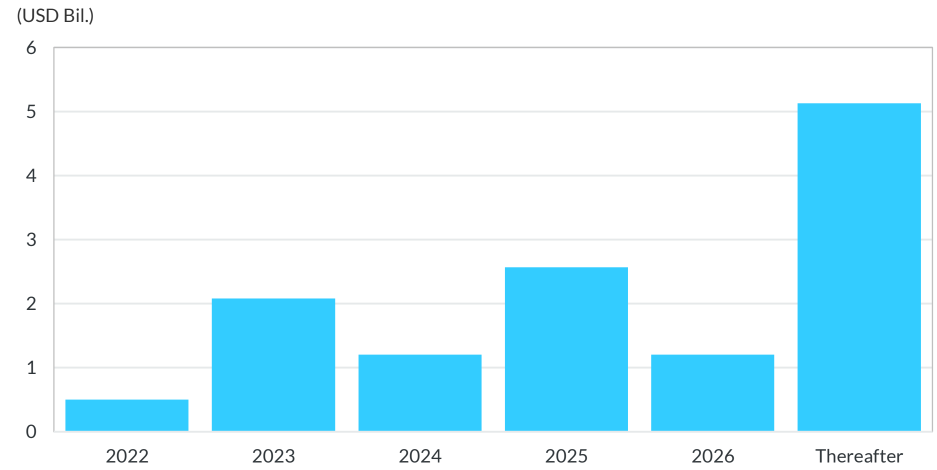
# Argentine Corporates: Credit Overview

## Cross-Border Issuances (Fitch Portfolio)




Source: Fitch Ratings

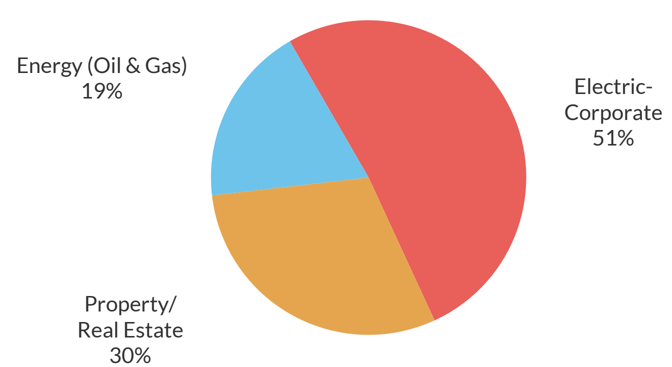
## Cross-Border Bond Maturities (Fitch Portfolio)




Source: Fitch Ratings

## 2022 Cross-Border Issuance by Sector

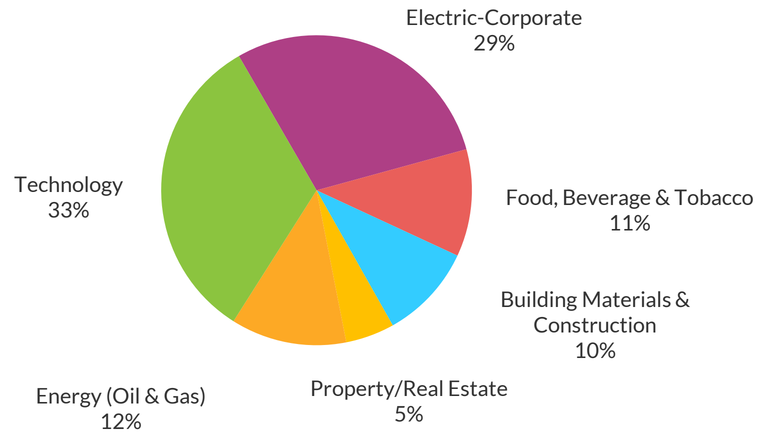
(As of Dec. 31, 2022)




Source: Fitch Ratings

## 2021–2022 Cross-Border Issuance by Sector

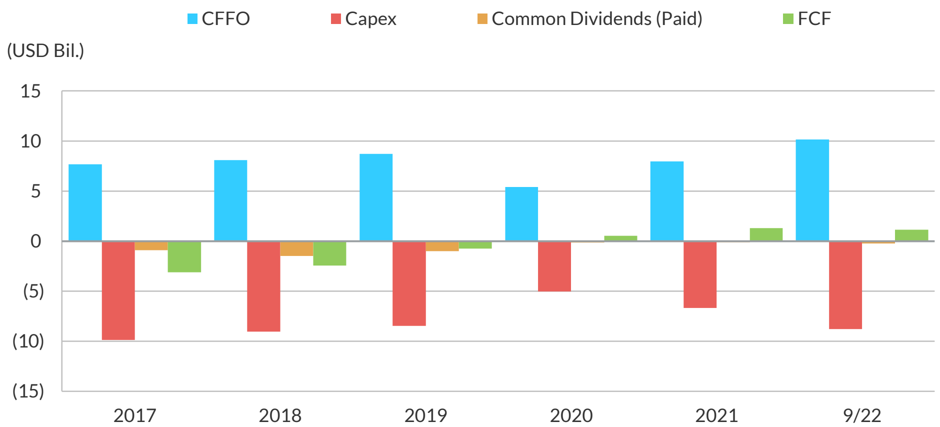
(As of Dec. 31, 2022)




Source: Fitch Ratings

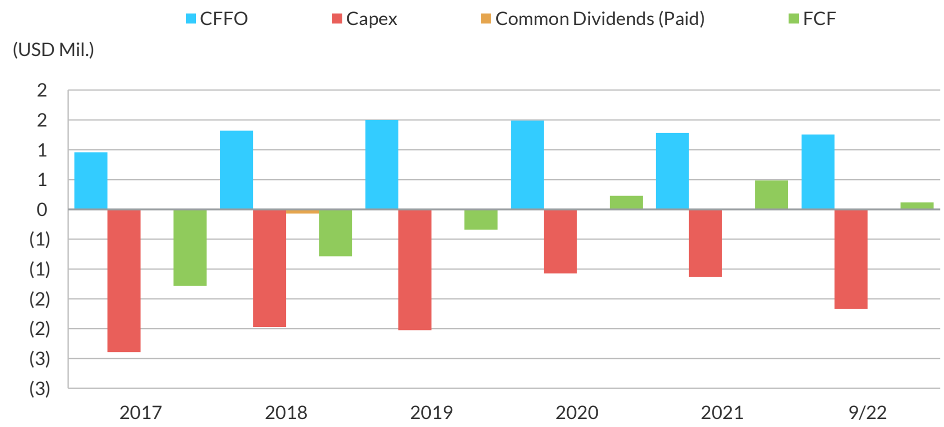
## Argentine Corporates: Financial Profile

### Aggregate Cash Flow Performance: Argentine Corporate International Ratings (Fitch Portfolio)



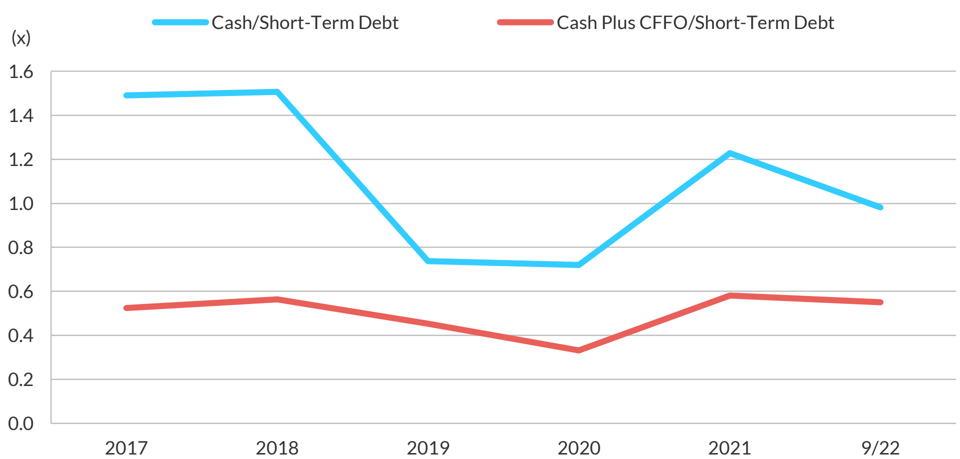

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Argentine Corporate International Ratings (Fitch Portfolio)



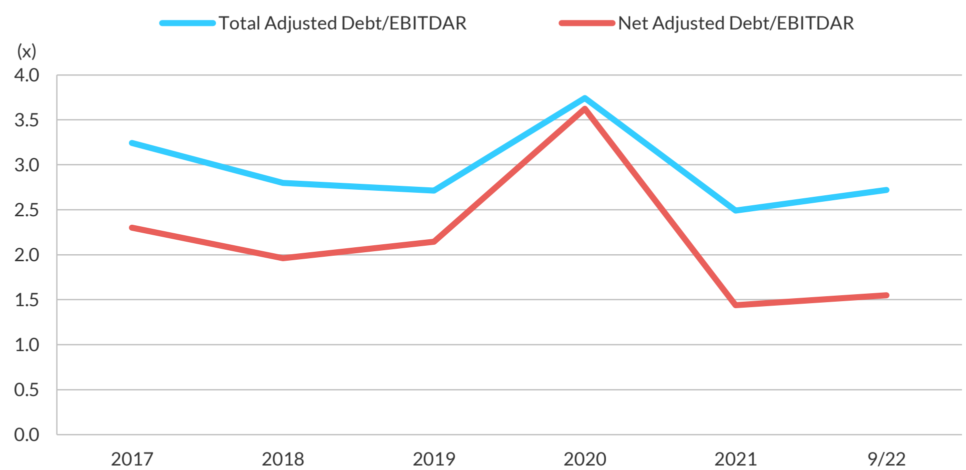

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Liquidity: Argentine Corporate International Ratings (Fitch Portfolio)




CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

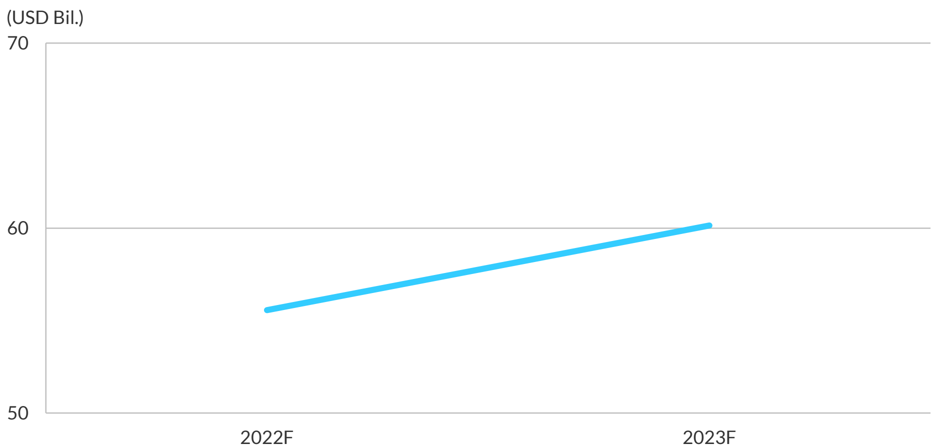
### Median Leverage: Argentine Corporate International Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

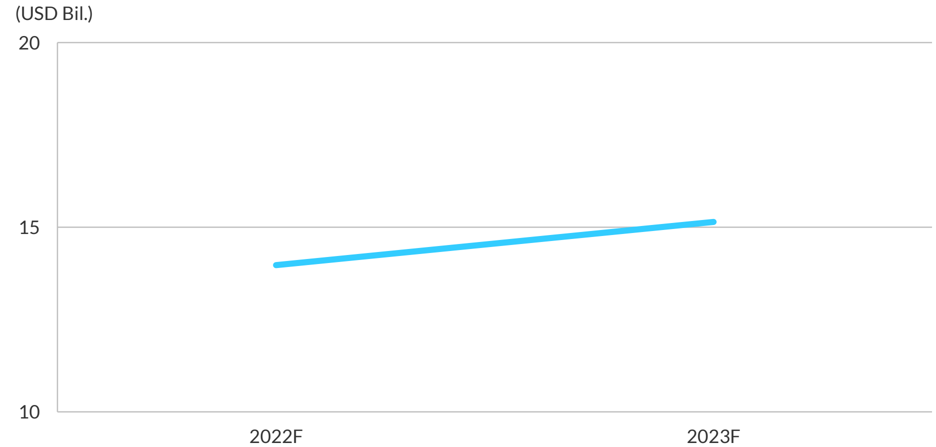
## Argentine Corporates: Fitch Forecasts

### Aggregate Revenue: Current Base Case Projections



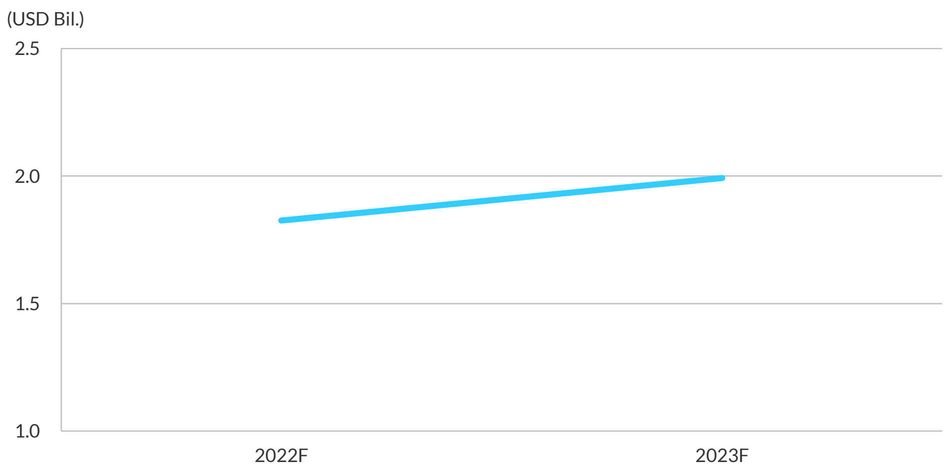

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Aggregate EBITDAR: Current Base Case Projections



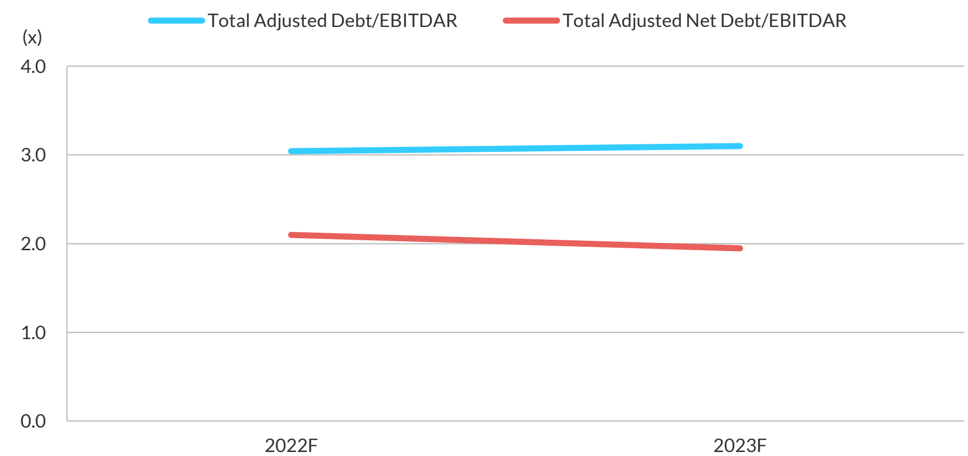

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Aggregate FCF: Current Base Case Projections




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Leverage Base Case Projections




F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Argentine Corporates: Key Statistics

| (USD Mil.) | | | Operating EBITDAR | | Cash Flow from Operations | | Adjusted Net Debt/ EBITDAR (x) | | LTM 9/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Issuers | LT IDR | Outlook | LTM 9/22 | 2022F | LTM 9/22 | 2022F | LTM 9/22 | 2022F | Cash and Marketable Securities | Total Adjusted Debt | Short-Term Debt |
| AES Argentina Generacion S.A. | CCC– | N.A. | 104 | 105 | -5 | 109 | 3.7 | 2.6 | 67 | 368 | 94 |
| Agua y Saneamientos Argentinos S.A. (AySA) | CCC– | N.A. | -743 | 0 | -646 | -1 | 0.0 | 1.1 | 495 | 510 | 509 |
| Arcor S.A.I.C. | B | Stable | 473 | 321 | 294 | 59 | 1.6 | 2.2 | 184 | 756 | 676 |
| Arcos Dorados Holdings Inc. | BB+ | Stable | 558 | 475 | 355 | 239 | 0.7 | 3.1 | 290 | 673 | 20 |
| Capex S.A. | CCC+ | N.A. | 185 | 213 | 116 | 146 | 1.0 | 0.9 | 73 | 244 | 6 |
| CLISA—Compania Latinoamericana de Infraestructura y Servicios | CCC– | N.A. | 174 | 119 | 18 | 15 | 4.9 | 3.8 | 47 | 451 | 144 |
| Compania General de Combustibles S.A. | B– | Stable | 301 | 339 | 61 | 308 | 2.0 | 1.5 | 210 | 708 | 181 |
| Generacion Mediterranea S.A. | CCC– | N.A. | 124 | 122 | 23 | -52 | 4.8 | 7.9 | 102 | 736 | 91 |
| Genneia S.A. | CCC– | N.A. | 224 | 226 | 169 | 128 | 2.7 | 2.9 | 127 | 724 | 208 |
| IRSA Inversiones y Representaciones S.A. | B– | N.A. | 147 | 123 | 96 | 79 | 2.2 | 2.4 | 157 | 477 | 225 |
| Mastellone Hermanos S.A. | B– | Stable | 45 | 59 | 65 | 20 | 4.3 | 3.9 | 49 | 201 | 2 |
| MercadoLibre, Inc. | BB+ | Stable | 1,056 | 1,210 | 2,099 | 1,256 | 2.2 | 2.1 | 2,385 | 4,689 | 1,946 |
| MSU Energy S.A. | CCC– | N.A. | 166 | 168 | 74 | 102 | 4.9 | 4.3 | 49 | 862 | 139 |
| Pampa Energia S.A. | B– | Stable | 932 | 974 | 374 | 819 | 1.4 | 1.0 | 686 | 1,616 | 284 |
| Petroquimica Comodoro Rivadavia S.A. | B– | Stable | 264 | 229 | 154 | 162 | 1.5 | 1.9 | 221 | 526 | 82 |
| Telecom Argentina S.A. | B– | Stable | 1,345 | 1,333 | 997 | 1,061 | 1.9 | 1.8 | 267 | 2,264 | 492 |
| YPF S.A. | CCC– | N.A. | 4,589 | 5,745 | 4,716 | 4,207 | 1.8 | 0.8 | 1,337 | 7,001 | 858 |

LT IDR – Long-Term Issuer Default Rating. F – Forecast. N.A. – Not applicable. Note: Ratings as of Feb. 28, 2023.
Source: Fitch Ratings, Fitch Solutions

## Related Research

Argentina Avoids Default Event, but Faces Mounting Vulnerability (February 2023)

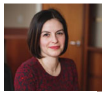
Latin American Corporates Spotlight Series: Argentina (Refinancing Activity Mitigates Short-Term Risk) (February 2023)

Overview of Argentina's Subnationals Ahead of 2023 Elections (Policy Uncertainty Could Heighten Credit Risks) (February 2023)

What Investors Want to Know: Argentine Electric Generation Companies (Push for Energy Subsidy Cuts, Gas Shortage and Strict Capital Controls Against Backdrop of Heightened Economic Uncertainty) (November 2022)

What Investors Want to Know: Argentine Oil and Gas (Midstream Investments to Strengthen Energy Independence) (November 2022)

## Analysts


**Julie Garcia Seebach**
+1 512 215-3743
julie.seebach@fitchratings.com


**Andres Correa**
+1 212 908-0559
andres.correa@fitchratings.com


**Dara Laja**
+1 212 908-0255
dara.laja@fitchratings.com

# Brazilian Corporate Credit Indicators: Fourth-Quarter 2022

## Market Remains Volatile Amid High Interest Rates

**Challenging Business Environment:** Fitch Ratings forecasts corporates in Brazil (BB–/Stable) will continue to face a challenging business environment in 2023, marked by weak economic prospects, high inflation and interest rates and elevated household indebtedness.

Abundant liquidity in the last two years in the debt market vanished after Americanas S.A.'s (D) bankruptcy filing, followed by financial difficulties of other large issuers. As a result, refinancing risks for Brazilian corporates significantly increased, which could result in negative ratings implications if credit restrictions persist in the coming months.

**Stable Rating Trend May Change:** Currently, 94% of Brazilian international ratings and 88% of national ratings in Fitch's portfolio have Stable Outlooks. Recent deterioration in the local debt market after Americanas' default is not yet fully incorporated in the portfolio. We believe higher risk aversion for private corporate debt will be temporary, although it may take more time to normalize.

Fitch downgraded several entities with more vulnerable credit profiles during the liquidity squeeze, such as Light S.A., to 'CCC+' from 'BB–'; Oi S.A. to 'C' from 'CC'; Azul S.A. to 'CCC–' from 'CCC+'; and Gol Linhas Aereas Inteligentes S.A. to 'C' from 'B–'.

**Refinancing Manageable:** Braskem S.A. (BBB–/Stable) recently issued a USD1.0 billion bond with demand at six times the offering. This could potentially indicate a gradual return of Brazilian corporate issuances overseas after a long market freeze. Refinancing risks are manageable in 2023–2024, with the majority of debt related to bank loans. Local and international bonds total USD11.2 billion in 2023, or 27% of total maturities, and USD12.3 billion in 2024, or 50%, for the international portfolio. Still, banks' willingness to refinance at adequate credit conditions is uncertain.

**Economic Indicators Pressured:** Weak economic activity kept sector indicators under pressure, with no prospect of improvement in the short term. Industrial production rose 0.6% yoy in 4Q22, while energy consumption rose 0.1%, steel consumption rose 0.7% and retail sales grew 1.0%. Cement consumption declined 1.8%. The retail and homebuilding sector are more vulnerable in 2023, due to the current environment.

Social aid programs to help low-income individuals did not result in accelerated consumption, as overall indebtedness remains high. The unemployment rate improved to 7.9% in December 2022 but this trend may not continue in 2023. Delinquency rates deteriorated in some sectors.

**External Headwinds:** Fitch revised its 2023 global economic growth outlook in December 2022 to 1.4%, from 1.7% previously. This would be the weakest expansion since 2018, apart from the pandemic. The revision follows a poor outlook for China's property sector and the intensification of monetary tightening of large central banks against inflation. Combined with China's slowdown, an improvement in global supply chain disruptions eased pressures in global commodity prices.

Fitch expects GDP to grow in Brazil by 0.7% in 2023, after forecast growth of 3.0% in 2022 and an average of 1.4% in 2017–2022. The SELIC interest rate is at 13.75% for longer than expected, which hinders companies' ability to grow, invest and deleverage. Fitch expects capex for several entities to decelerate to contain pressure in cash flow and preserve liquidity in a more volatile operating and debt market. We forecast gross leverage of 3.1x and net leverage of 2.5x in 2022, with a mild deterioration in 2023 to 3.2x and 2.6x, respectively.

"Fitch expects Brazil to face an adverse economic environment in 2023. Weak GDP and high inflation and interest rates will continue to challenge corporates' ability to invest, expand and deleverage. These risks are intensified by recent volatility in local debt markets. If the liquidity squeeze persists, it will significantly increase refinancing risks in 2023, leading to additional negative credit implications."

Renato Donatti, Director

Volatility in the local debt market follows a record high of local bond issuances in 2021–2022, with issuances of BRL251 billion and BRL271 billion, respectively. Overall, Brazilian corporates have adequate liquidity, with median cash/short-term debt forecast at 2.5x in 2022 and 1.7x in 2023.

**Uncertainties with New Government:** Fitch affirmed Brazil's rating in December 2022 and incorporated in the analysis the expectation growth will slow in 2023 and recent fiscal improvement will erode under the new government but within a margin consistent with the current rating.

President Luiz Inacio Lula da Silva's agenda pledged to halt privatizations and espoused a return to a state-led growth model. We believe it is likely the government will seek to gradually redirect the corporate strategies of state enterprises, such as Petroleo Brasileiro S.A. (Petrobras; BB–/Stable) and Banco Nacional de Desenvolvimento Economico e Social (BNDES; BB–/Stable).

The spending cap is being relaxed with no concrete plans to replace it with a new fiscal anchor, heightening uncertainty around the medium-term fiscal trajectory and affecting borrowing costs. The expectation of a tax overhaul in 2023 is positive but uncertainties regarding approval, breadth and positive implications to economic growth in the short and medium term are still uncertain.

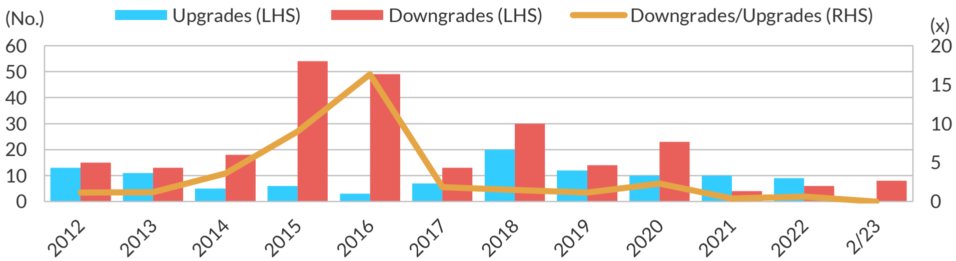
### Brazilian Corporates: Key Economic and Financial Indicators

| | Historical | | Forecast | |
|---|---|---|---|---|
| (%) | 2020 | 2021 | 2022 | 2023 |
| Real GDP Growth | (3.9) | 4.6 | 2.9 | 0.7 |
| CPI Inflation (Year Average) | 4.5 | 10.1 | 5.8 | 5.6 |
| Policy Interest Rate (Year End) | 2.0 | 9.3 | 13.7 | 11.5 |
| Exchange Rate (BRL/USD Year End) | 5.2 | 5.4 | 5.2 | 5.2 |
| Industry Capacity Utilization (Year Average) | 66 | 70 | — | — |
| Gross General Government Debt (% of GDP) | 86.9 | 78.3 | 74.1 | 77.8 |
| Cross-Border Debt Issuances (USD Bil.) | 15.4 | 20.3 | 4.5 | — |
| Local Debenture Issuance (BRL Bil.) | 122.1 | 251.0 | 271.0 | — |

Source: Fitch Ratings, Instituto Brasileiro de Geografia e Estatistica, Banco Central do Brasil, Confederação Nacional da Industria, Banco Central do Brasil, Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA)

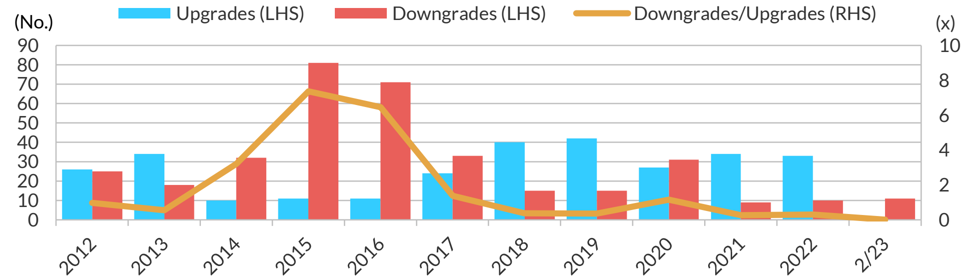
## Brazilian Corporates: Rating Portfolio

### Downgrades and Upgrades: International Scale
(As of Feb. 27, 2023, Excluding Actions Related to Sovereign Downgrades)



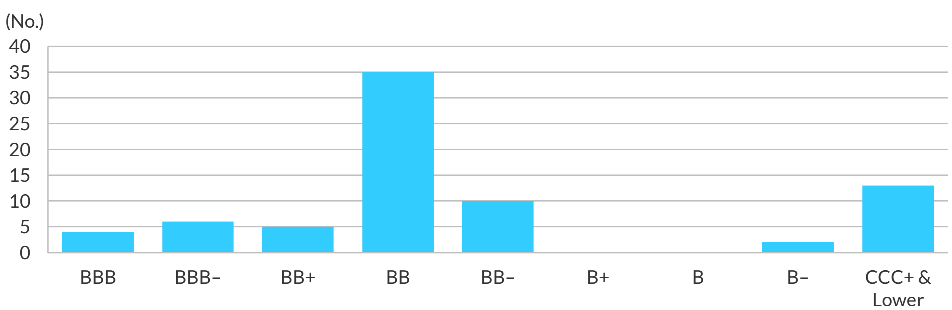

Note: Includes multiple rating actions on the same issuer and excludes upgrades related to debt restructuring
Source: Fitch Ratings

### Downgrades and Upgrades: National Scale
(As of Feb. 27, 2023)



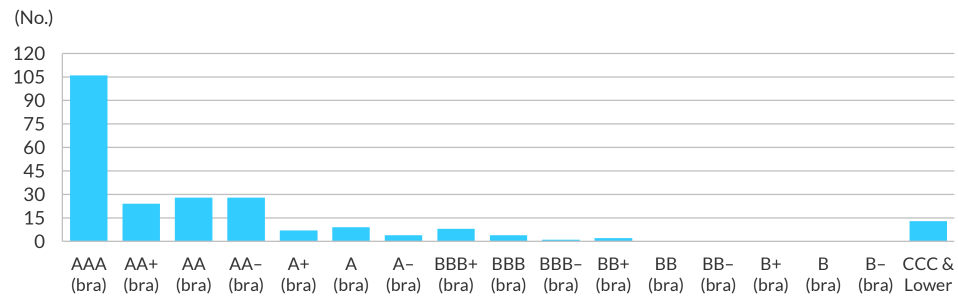

Note: Includes multiple rating actions on the same issuer and excludes upgrades related to debt restructuring
Source: Fitch Ratings

### Brazilian Corporate Ratings Distribution: International Scale
(As of Feb. 27, 2023)



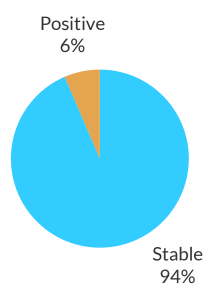

Source: Fitch Ratings

### Brazilian Corporate Ratings Distribution: National Scale
(As of Feb. 27, 2023)



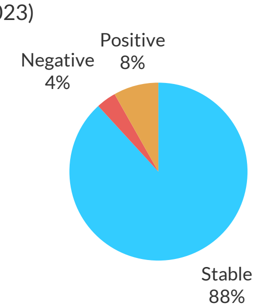

Source: Fitch Ratings

### Ratings Outlook/Watch: International Scale[a]
(As of Feb. 27, 2023)



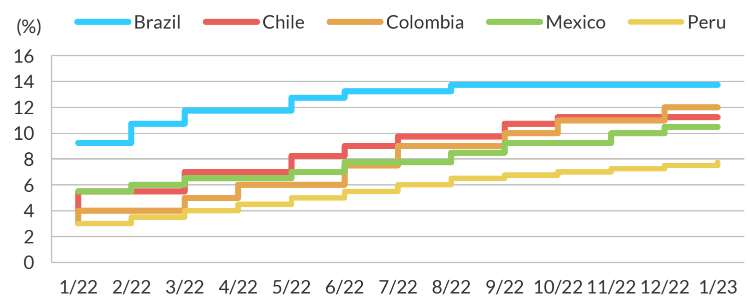

[a]Excludes companies with Negative Outlooks related to the sovereign
Source: Fitch Ratings

### Ratings Outlook/Watch: National Scale
(As of Feb. 27, 2023)




Source: Fitch Ratings

### Central Bank Rates by Country




Source: Fitch Ratings, Fitch Solutions

# Brazilian Corporates: Sector Risks Profile

## Key Issues for Brazilian Corporates in 2023

| Challenging Economic Environment | High Risk Aversion in Local and International Debt Markets |
|---|---|
| • Weak GDP prospects, persistently high interest rates and high inflation will continue to pressure corporates exposed to the domestic environment | • High risk aversion in local debt markets after Americanas' bankruptcy could lead to severe rating implications if market behavior persists |
| • China's slowdown and central banks' monetary tightening to fight inflation will decelerate global GDP growth to 1.4% in 2023, according to Fitch's forecast | • International debt markets remain restricted to Brazilian issuers |
| • A weakening global economy combined with improving supply chain disruptions will likely reduce pressure in global commodity prices | • Companies exposed to the domestic environment are set to reduce capex growth in 2023, following worsened market conditions |
| • The unemployment rate continues to decline but this trend remains uncertain through 2023 | • Market consolidation accelerates as larger and more capitalized issuers seek further gains of scale |

Source: Fitch Ratings, Fitch Solutions

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Ache Laboratorios Farmaceuticos S.A. | Green | Green | Green | Green | Green | Green |
| Aegea Saneamento e Participacoes S.A. | Green | Green | Green | Green | Yellow | Green |
| Alupar Investimentos S.A. | Green | Green | Green | Green | Green | Green |
| Americanas S.A. | Green | Red | Green | Green | Red | Green |
| Andrade Gutierrez Engenharia S.A. | Green | Red | Green | Red | Red | Red |
| Atento Luxco 1 | Green | Yellow | Green | Yellow | Red | Red |
| Azul S.A. | Green | Red | Green | Red | Red | Red |
| BR Malls Participacoes S.A. | Green | Yellow | Green | Green | Green | Green |
| Braskem S.A. | Yellow | Yellow | Yellow | Green | Green | Green |
| BRF S.A. | Yellow | Yellow | Green | Green | Yellow | Green |
| Centrais Eletricas Brasileiras S.A. (Eletrobras) | Green | Green | Green | Yellow | Yellow | Green |
| Cielo S.A. | Green | Yellow | Green | Green | Green | Green |
| Companhia Energetica de Minas Gerais (CEMIG) | Yellow | Yellow | Green | Yellow | Green | Yellow |

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| JSL S.A. | Green | Yellow | Green | Green | Yellow | Green |
| Klabin S.A. | Green | Yellow | Yellow | Green | Green | Green |
| Light S.A. | Green | Yellow | Green | Green | Yellow | Red |
| Localiza Rent a Car S.A. | Green | Yellow | Green | Green | Green | Green |
| Marfrig Global Foods S.A. | Yellow | Yellow | Green | Green | Green | Green |
| MercadoLibre, Inc. | Green | Yellow | Green | Green | Green | Green |
| Minerva S.A. | Yellow | Yellow | Green | Green | Green | Green |
| Movida Participacoes S.A. | Green | Yellow | Green | Green | Yellow | Green |
| MRS Logistica S.A. | Yellow | Green | Green | Green | Green | Green |
| Natura &Co Holding S.A. | Green | Yellow | Green | Green | Green | Green |
| OEC S.A. | Yellow | Red | Green | Yellow | Red | Yellow |
| Oi S.A. | Yellow | Yellow | Green | Yellow | Red | Red |
| Ouro Verde Locacao e Servico S.A | Green | Yellow | Green | Green | Yellow | Green |

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Companhia Energetica de São Paulo (CESP) | Low | Low | Low | Low | Low | Low |
| Companhia de Gas de Sao Paulo – COMGAS | Low | Medium | Low | Low | Low | Low |
| Companhia Siderurgica Nacional (CSN) | Low | Medium | Medium | Low | Low | Low |
| Cosan S.A. | Low | Medium | Low | Low | Medium | Medium |
| Dexco S.A. | Low | Medium | Medium | Low | Low | Low |
| Embraer S.A. | Low | Low | Low | Low | Medium | Low |
| Energisa S.A. | Low | Medium | Low | Low | Medium | Low |
| Eldorado Brasil Celulose S.A. | High | Low | Medium | Low | Low | Medium |
| Engie Brasil Energia S.A. | Low | Low | Low | Low | Low | Low |
| FS Agrisolutions Industria de Biocombustiveis Ltda. | Low | Medium | High | Medium | Low | Medium |
| General Shopping Brasil S.A. | High | Medium | Low | High | High | High |
| Gerdau S.A. | Low | Low | Medium | Low | Low | Low |
| Globo Comunicacao e Participacoes S.A. | Low | Medium | Low | Low | Low | Low |
| GOL Linhas Aereas S.A. | Low | High | Low | High | High | High |
| Hidrovias do Brasil S.A. | Low | Low | Low | Low | Medium | Low |
| Intercement Participacoes S.A. | Medium | High | Low | High | Medium | High |
| Inpasa Agroindustrial S.A. | Low | Medium | High | Medium | Low | Medium |
| JBS S.A. | High | Medium | Low | Low | Low | Low |
| Petroleo Brasileiro S.A. (Petrobras) | Medium | Medium | High | Medium | Low | Low |
| Petro Rio S.A. | Medium | Medium | Medium | Low | Low | Low |
| Raizen Energia S.A. | Low | Medium | Medium | Low | Low | Low |
| Raizen S.A. | Low | Medium | Low | Low | Low | Low |
| Rede DOr Sao Luiz S.A. | Medium | Low | Low | Low | Low | Low |
| Rumo S.A. | Medium | Low | Low | Low | Medium | Low |
| Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) | Low | Low | Low | Low | Low | Low |
| Simpar S.A. | Low | Medium | Low | Low | Medium | Low |
| Suzano S.A. | Low | Medium | Medium | Low | Low | Low |
| Transportadora Associada de Gas S.A. – TAG | Low | Low | Low | Low | Low | Low |
| Transmissora Alianca de Energia Eletrica S.A. (TAESA) | Low | Low | Low | Low | Medium | Low |
| Trident Energy, L.P. | Medium | Medium | High | Low | Low | Medium |
| Tupy S.A. | Low | Medium | Low | Medium | Low | Low |
| Unigel Participacoes S.A. | Medium | Low | Low | Medium | Low | Low |
| Usinas Siderurgicas de Minas Gerais S.A. (Usiminas) | Low | Medium | Medium | Low | Low | Low |
| Vale S.A. | Medium | Low | Medium | Low | Low | Low |
| Votorantim S.A. | Low | Medium | Medium | Low | Low | Low |
| Votorantim Cimentos S.A. | Low | Medium | Medium | Low | Low | Low |

**Low Risk**
**Medium Risk**
**High Risk**

ESG – Environmental, social and governance
Source: Fitch Ratings, Fitch Solutions

## Brazilian Corporates: Sector Risks Profile

### Brazilian Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | Portfolio Breakdown (%) National Scale | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Building Materials & Construction | 8 | 3 | → | Low | Short-term challenges for Brazilian contractors continue to surpass medium-term potential benefits mainly due to weak capital structures and limited capacity to generate sustained positive EBITDA. GDP is expected to grow 0.7% in 2023. Contractors should remain vulnerable throughout 2023, despite the pipeline of contracts from the ongoing concession auctions of airports, toll roads and transmission lines, among other infrastructure projects. Recent regulatory framework development for water and sewage and for the gas sector tends to foster demand in the future. |
| Education | 0 | 2 | → | Medium | A forecast decline in inflation in 2023 should alleviate cost pressure but the ability of companies to readjust average tickets in a competitive price environment will be key to sustaining operating margin strength. High interest rates and working capital requirements should continue to pressure cash flow generation in 2023. Liquidity remains manageable for companies in Fitch's portfolio but some pressure in the ratings may arise for more leveraged companies. |
| Electric Energy | 20 | 29 | → | Medium | Electric energy companies have strong credit profiles, in general. Most benefit from diversified access to handle potentially negative FCF and refinance amortizing debt. Still, leverage of some issuers is being pressured by high investments in greenfield projects and acquisitions at a time of rising interest rates. For some companies, leverage could be pressured by the return of tax credits in the distribution business. Distribution companies' cash flow generation tended to benefit from increasing energy consumption and better hydrological conditions in 2022. Still, energy tariffs should continue to be high, despite some initiatives to reduce readjustments to consumers, pressuring losses and delinquency.<br><br>The concessions renewal process for some discos is expected to start in 2023. Hydroelectric generation companies benefited from higher reservoirs levels, while thermal plants' results will slightly fall due to lower dispatch. Renewable resources continue to expand, adding to portfolio diversification for gencos. The risk for the transmission segment continues to be the lowest within the sector and the reprofiling of indemnities received by some companies will begin to normalize in 2023, strengthening cash flows. Auctions for new assets planned for 2023 should increase future capex plans. |
| Food and Beverage: Processed | 1 | 3 | → | High | Demand fundamentals remain resilient despite more unstable macroeconomic conditions in the short term. Issuers in Fitch's rated portfolio have strong credit profiles. The sector was successful on price readjustments, which should support revenue growth during 2023, despite consumption trending to cheaper categories. Cost pressures on imported goods, FX depreciation and high inflation should have a manageable effect on profitability this year. Companies in the portfolio have low to moderate exposure to refinancing debt in 2023. |
| Food and Beverage: Protein | 5 | 2 | → | Medium | Sector trends remain stable due to strong international demand and an improved cattle cycle in Brazil. Domestic demand remains subdued due to the weak economic environment and from high inflation and interest rates. Margin pressure will increase for companies in Brazil with exposure to the U.S. beef market due to lower cattle availability in the U.S. |
| Health Care | 3 | 8 | ↓ | Medium | The healthcare industry's fundamentals are less resilient to external shocks than previously anticipated with companies challenged to recover operational cash flow generation and profitability after two years of the pandemic. The medical loss ratio for healthcare plan operators is expected to gradually decline in 2023 from 2022 levels but at a slower than anticipated pace, increasing challenges for the sector's recovery in 2024. Companies' cash flow from operations will continue to be pressured by high financial expenses and working capital requirements, as receivables' terms are expected to remain above historical averages, given the challenges faced by the healthcare plan operators to reduce medical loss ratio.<br><br>Scale remains key to dilute costs and negotiate price and better terms with clients and suppliers. M&As should decelerate in 2023 as companies seem to be more focused on integrating and capturing synergies with the assets acquired over the past year, reducing leverage and preserving cash. Rating pressures arise for those companies highly leveraged and with expectation of a slower pace of recovery for operating cash generation. Liquidity remains adequate within Fitch's healthcare portfolio of companies. |

## Brazilian Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | Portfolio Breakdown (%) National Scale | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Homebuilding | 0 | 1 | → | Medium | Brazilian homebuilders are facing headwinds due to the economic downturn, after strong momentum in the past two years. Double-digit interest rates, lower purchasing power and higher family indebtedness are pressuring affordability and sales speed. Operating margins were affected by the increase in construction costs in 2021–2022 and recovery should be gradual, especially for homebuilders focused on the low-income segment. The new government's revisions to the low-income Minha Casa, Minha Vida, or My Home, My Life, program should stimulate demand in 2023, especially in the lowest bracket of the program. Fitch expects support to be strong. Liquidity remains key in the current scenario of volatility and restricted credit availability. |
| Metals & Mining | 7 | 3 | ↓ | High | A speculative inventory build-up of steel in China and lower supply boosted iron ore prices to levels last seen in August 2022, hovering around USD125/ton. However, clear strong consumption data is lacking and Fitch holds an expectation of USD85/ton of iron ore for 2023, as purchasing was weak in the rest of the world. Moreover, steel rolled production fell by 11.2% for flats and 8.2% for longs in Brazil during 2022. Meanwhile, cost containment efforts pursue cash flow and liquidity preservation amid comfortable maturity profiles. |
| Oil & Gas | 5 | 2 | → | High | Fitch expects Petrobras to continue reporting positive FCF over the rating horizon, while investing enough to replenish reserves, which will further support its Standalone Credit Profile. We estimate the company will generate USD66.5 billion in EBITDA and USD46.7 billion in FFO. Cash flow comfortably covers capex, as laid out in the current strategic plan, prior to President Lula's inauguration. Over the rated horizon, EBITDA margins are expected to narrow from a high of 57.3% in 2022 to a normalized 30.0%, as prices decline. FFO margins will follow suit at 41.0% in 2022 and return to 23.5% in 2025.<br><br>Political interference at Petrobras is expected to increase during President Lula's administration. Changes at the executive level and the board are expected to have an effect on the company's strategic plan and pricing policy over the rated horizon. Petrobras is a materially stronger company than it was in President Lula's previous administration. Cash flow over the rated horizon, when applying Fitch's price deck, cannot absorb a material increase from the announced USD78 billion five-year strategic capex plan, without assuming additional debt or a material change in the dividends policy, which is assumed to average 60% of CFFO minus capex for each year. |
| Chemicals | 3 | 1 | ↓ | High | Petrochemical spreads will remain under pressure in 2023 following a challenging 2H22. A slight sign of resilience in prices was seen in February 2023, however, as lower prices revived demand and producers were able to pass on higher cash costs to buyers. Leverage varies widely among rated companies as those with large diversified business footprints, access to lower-cost feedstocks and less cyclical product offerings fare better than higher-cost commodity chemical companies and smaller single-product producers with less reliable feedstock supplies. Many issuers will exceed leverage rating triggers in 2023 but are expected to be below the triggers in 2024, and beyond, as sector conditions begin to normalize and excess supply fades. Liquidity and refinancing risks remain manageable. |
| Pulp & Paper | 4 | 2 | ↓ | High | Fitch has a deteriorating outlook for the pulp sector, due to expected price declines, which will reduce median revenue in 2023. We project average bleached eucalyptus kraft pulp prices of USD650/ton in 2023 from USD835/ton in 2022. Increased supply from Latin American, declines in logistics constrains and softer demand reduced prices in the first months of the year as they remain pressured in 2023. Latin American issuers' cash cost advantages will allow them to continue showing strong cash flow generation and to maintain leverage within respective sensitivities. |
| Malls | 3 | 2 | → | High | The Brazilian mall sector is fully recovered from the pandemic and should continue to perform adequately in 2023. Tenant sales surpassed 2019 levels for Fitch-rated issuers in 4Q21, allowing companies to reduce discounts and readjust rents by inflation. High rental collections consolidated mall companies' recoveries, despite a challenging environment, which helped increase cash flow generation and return credit metrics to pre-pandemic levels. Most issuers have strong credit qualities, supported by low business risk, and are underpinned by high operating margins and strong FCF generation. Issuers' relevant operating scales act as key rating factors, along with balance sheets characterized by strong cash reserves, conservative financial discipline and high-quality unencumbered assets. |

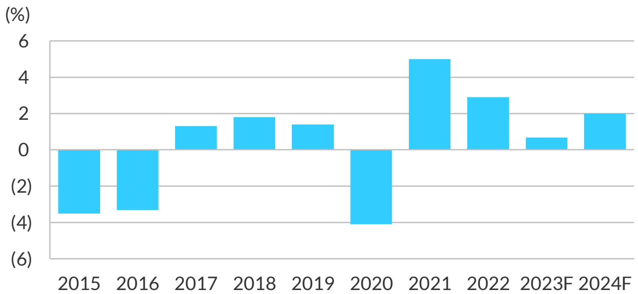
## Brazilian Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | Portfolio Breakdown (%) National Scale | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Retail/Consumer | 4 | 9 | Negative | Medium | Brazil's weak economy will continue to challenge retailers' ability to recover cash flows and profitability in 2023. Subdued economic prospects, persistently high interest rates and above target inflation adds to recent volatility in local debt markets after Americanas' bankruptcy, significantly increasing refinancing risks for the sector. Population indebtedness remains high and purchasing power will take more time to materially recover, putting additional pressure on discretionary sectors, such as durable goods, electronics and apparel. |
| Sugar & Ethanol | 5 | 3 | Stable | Medium | The outlook for the Brazilian sugar and ethanol sector is stable. The combination of attractive international sugar prices and relatively weak local currency in Brazil, Latin America's largest market, maintains prices of sugar in Brazilian reals at elevated levels. Fitch projects international sugar prices of USD19.0cents/pound in 2023 and USD17.0cents/pound in 2024, from USD20.0cents/pound in 2022. Sugar producers already locked in a great part of sugar positions for 2023/2024 at levels above BRL2.300/ton.<br>However, reductions in gasoline taxes affected the upward trend on ethanol prices despite high oil prices. Inflation and increases in agricultural costs will reduce operating margins of sugarcane processors in comparison with the previous year. Corn-based ethanol producers offset the effects of high corn prices on margins as they locked in prices of corn supply. Lower ethanol prices will reduce margins in comparison with the last two years. Well managed companies without major investments in expansion are expected to report neutral to positive FCF and maintenance of leverage in 2023. |
| Transportation: Railroads/Waterways | 4 | 4 | Stable | Medium | The exposure of these sectors to the local macroeconomic environment varies from low to moderate, depending on the nature of the transported cargo. Volumes transported by railroads and waterways are more resilient, due to higher exposure of agricultural or mining exports, while assets such as containers are more exposed to the macroeconomic environment. Fitch believes there are strong competitive advantages of railroads and waterways over truck service and those operations should continue to support consistent demand through the cycle. Companies are challenged to finance capex plans, while not affecting strong cash flow generation within the high-interest environment and a healthy financial profile. Leverage is moderate and financial flexibility should not deteriorate while debt markets remains selective. |
| Transportation: Rent-a-Car/Highway Logistics | 7 | 6 | Stable | Medium | Fitch projects balanced capital structures even in a more challenging macroeconomic environment. Margin expansion, resulting in higher return on invested capital spread over the cost of debt, in line with historical numbers, should allow rental companies to maintain credit profiles adequate to current ratings. Even moderate growth capex should keep rental FCF negative in 2023 but without greater pressure on financial leverage. The main companies in the industry have ample access to funding. Moreover, an unencumbered fleet contributes to greater financial flexibility. Financial expenses should remain significant within the high interest rate environment in Brazil as this is a capital-intensive industry in which companies carry large volumes of debt. |
| Water Utilities | 3 | 7 | Stable | High | Water/wastewater operators in Brazil continue to benefit from resilient demand. Operating cash flow generation should present growth in 2023, mainly supported by tariff increases. Delinquency continues to pressure working capital but is expected to moderate in the following quarters. Issuers are challenged to strongly expand capex due to regulatory requirements, which should commit a higher portion of cash flow from operations generation in the next few years and maintain negative FCF. Interest rates should pressure cash flow but at manageable levels. Hydrologic effects overall should not pose major restrictions on volumes billed in the short term, assuming rainfall levels in the next few months are in line with the historical average. Contract bids should continue to support growth of private companies. |
| Other | 19 | 12 | — | — | — |

= Negative Outlook. = Stable Outlook. = Positive Outlook.
Source: Fitch Ratings, Fitch Solutions

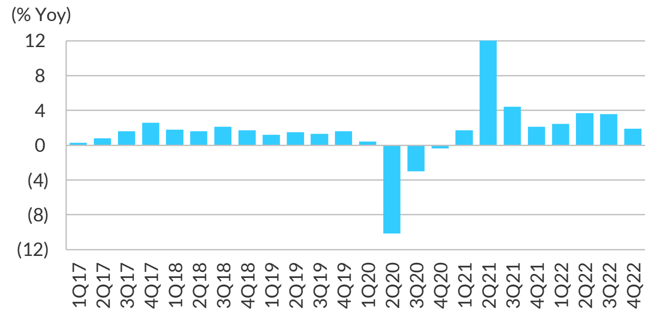
## Brazilian Corporates: Key Macro Variables

### Yearly GDP Growth



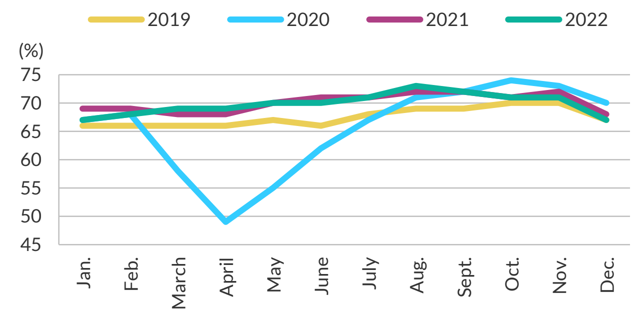

F – Forecast
Source: Banco Central do Brasil

### Quarterly GDP Growth



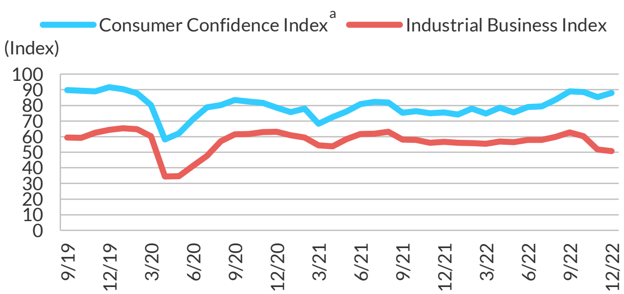

Source: Instituto Brasileiro de Geografia e Estatistica

### Industrial Capacity Utilization Rate



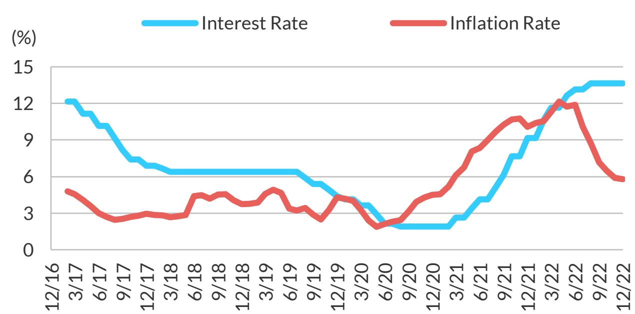

Source: Confederaca o Nacional da Industria

### Confidence Indicators



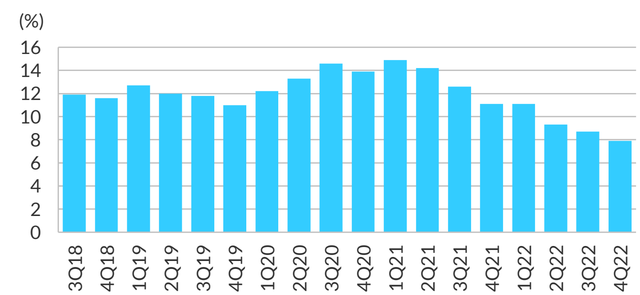

[a]Seasonally adjusted
Source: Fundacao Getulio Vargas, Confederacao Nacional da Industria

### Inflation and Interest Rates



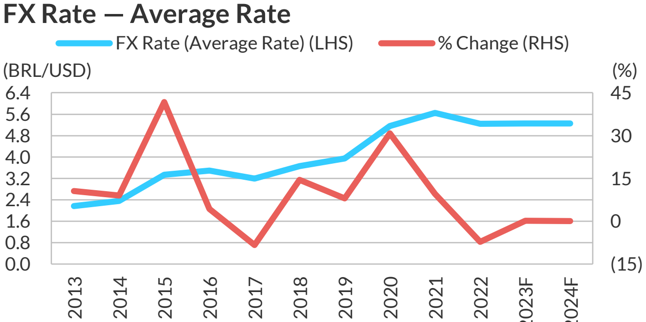

Source: Instituto Brasileiro de Geografia e Estatistica, Banco Central do Brasil

### Unemployment Rate



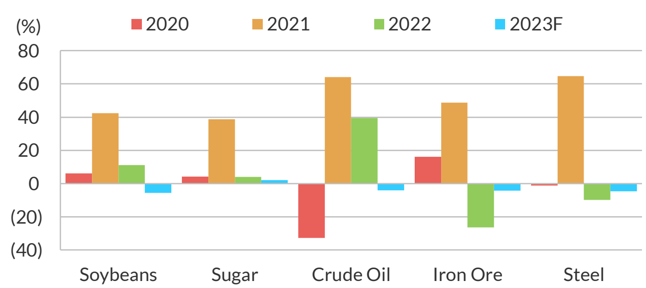

Source: Instituto Brasileiro de Geografia e Estatistica, PNAD Continua

### FX Rate — Average Rate



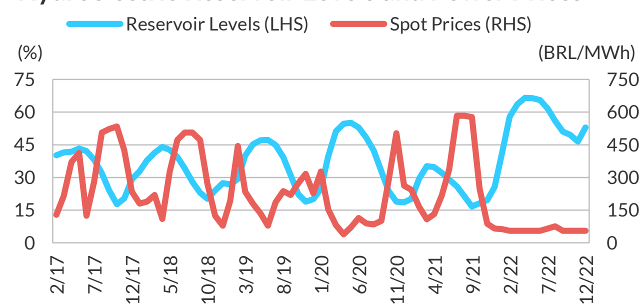

F – Forecast
Source: Fitch Ratings, Fitch Solutions, Banco Central do Brasil

### Key Commodity Average Price Changes




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Hydroelectric Reservoir Levels and Power Prices

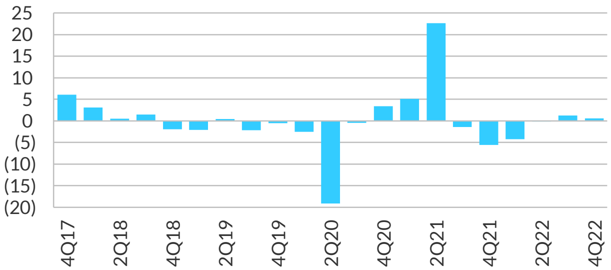



Note: Includes sub-system Southeast and Middle East
Source: Operador Nacional do Sistema Eletrico

# Brazilian Corporates: Industrial Indicators

## Industrial Production

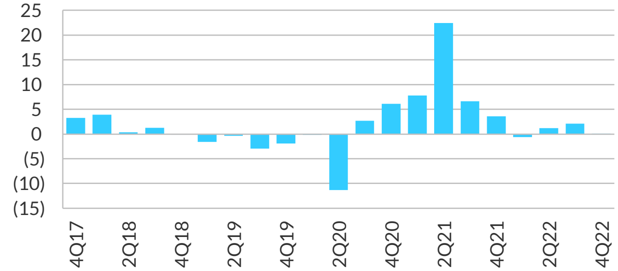
(% Yoy)




Source: Instituto Brasileiro de Geografia e Estatistica

## Industrial Energy Consumption

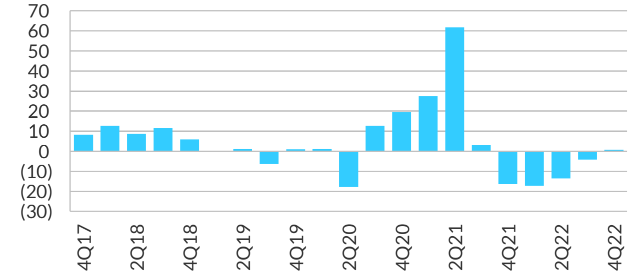
(% Yoy)




Source: Empresa de Pesquisa Energetica

## Steel Consumption

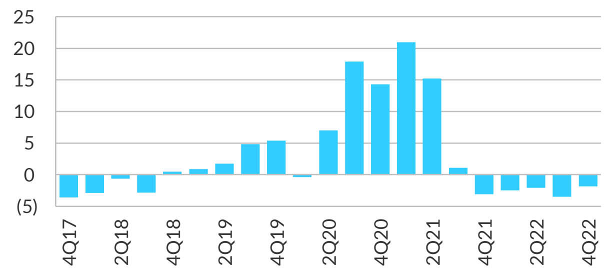
(% Yoy)




Source: Instituto Aco Brasil

## Cement Consumption

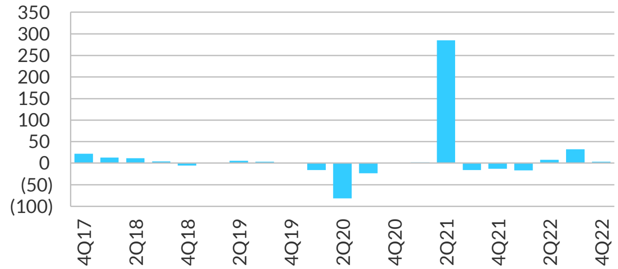
(% Yoy)




Source: Sindicato Nacional da Industria do Cimento

## Vehicle Production

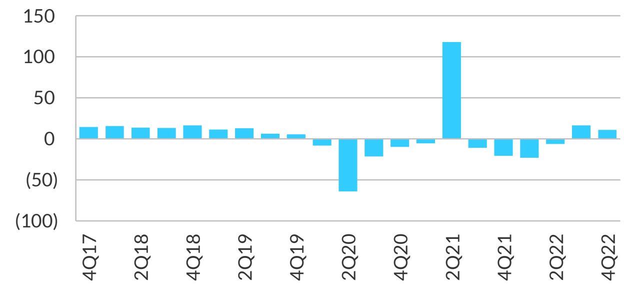
(% Yoy)




Source: Associacao Nacional dos Fabricantes de Veiculos Automotores

## Vehicle Sales

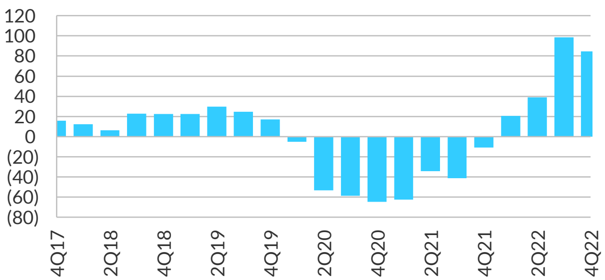
(% Yoy)




Source: Associacao Nacional dos Fabricantes de Veiculos Automotores

## Vehicle Inventories

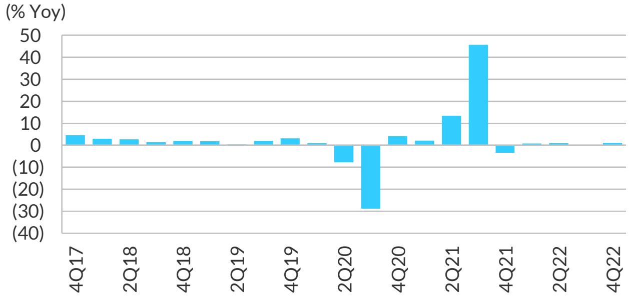
(% Yoy)




Source: Associacao Nacional dos Fabricantes de Veiculos Automotores

## Retail Sales

(% Yoy)




Source: Instituto Brasileiro de Geografia Estatistica

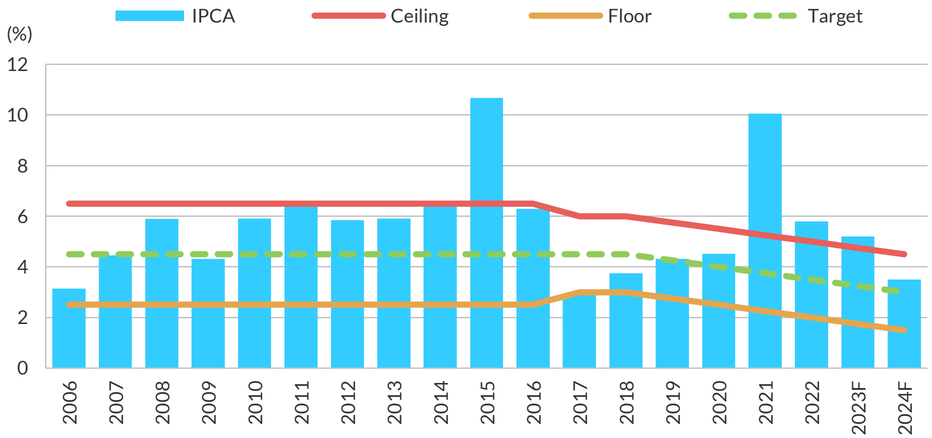
## Growth Trends: Selected Sectors in the Manufacturing Industry

| (%) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Food Products | 1.2 | -5.3 | 1.7 | 4.2 | -8.2 | 2.4 |
| Chemicals | 0.6 | -0.6 | -0.9 | -0.5 | 5.8 | 2.3 |
| Oil Distillates and Biofuels | -4.2 | 0.7 | 1.7 | 4.4 | -0.7 | 6.6 |
| Beverages | 0.8 | 0.9 | 4.2 | -0.2 | 0.3 | 3.0 |
| Non-Metallic Minerals | -2.2 | 0.4 | 1.1 | -2.6 | 13.8 | -5.1 |
| Metallurgy | 4.7 | 4.1 | -2.9 | -7.2 | 15.4 | -5.0 |
| Rubber & Plastics | 4.6 | 0.9 | -1.4 | -2.4 | 5.1 | -5.7 |
| Metal Products | -1.4 | 3.1 | 4.9 | 0.1 | 5.2 | -9.0 |
| Equipment & Machines | 2.8 | 3.5 | 0.3 | -4.2 | 24.0 | -2.3 |
| Motor Vehicles | 17.2 | 12.7 | 2.2 | -27.9 | 20.1 | 3.0 |

Source: Fitch Ratings, Instituto Brasileiro de Geografia e Estatistica

# Brazilian Corporates: Inflation

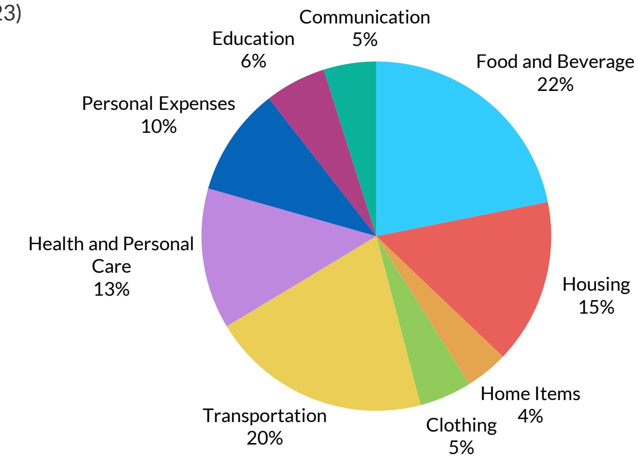
## IPCA and Inflation Target




IPCA – Indice Nacional de Precos ao Consumidor Amplo. F – Forecast.
Source: Banco Central do Brasil

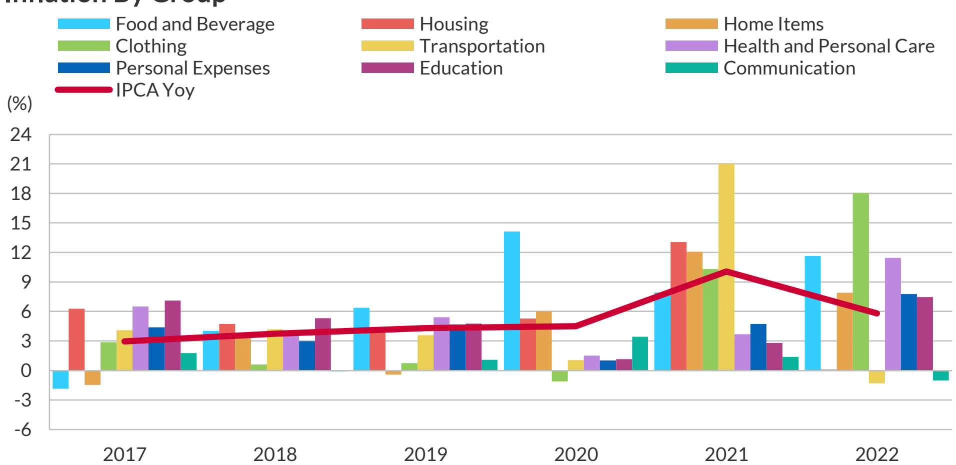
## IPCA Breakdown: Weight By Group

(As of Jan. 31, 2023)



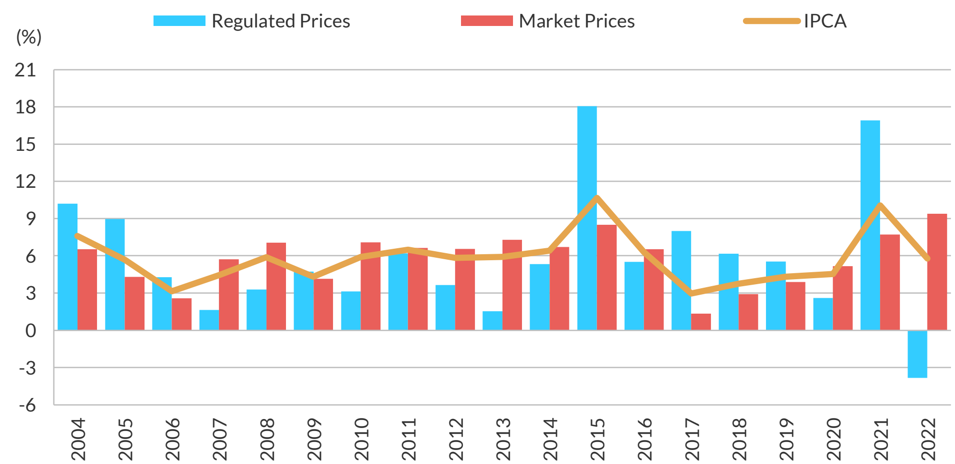

IPCA – Indice Nacional de Precos ao Consumidor Amplo
Source: Banco Central do Brasil

## Inflation By Group




IPCA – Indice Nacional de Precos ao Consumidor Amplo
Source: Banco Central do Brasil

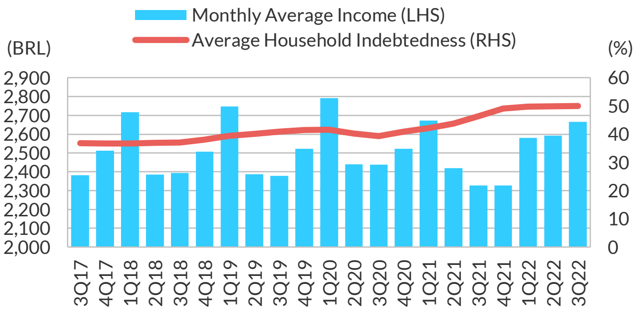
## Inflation: Regulated Prices and Market Prices




IPCA – Indice Nacional de Precos ao Consumidor Amplo
Source: Banco Central do Brasil, IBGE

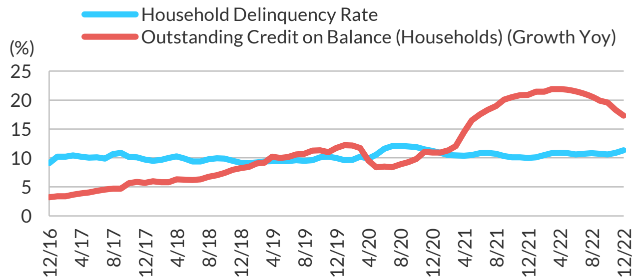
# Brazilian Corporates: Credit Overview

### Household Average Income and Indebtedness



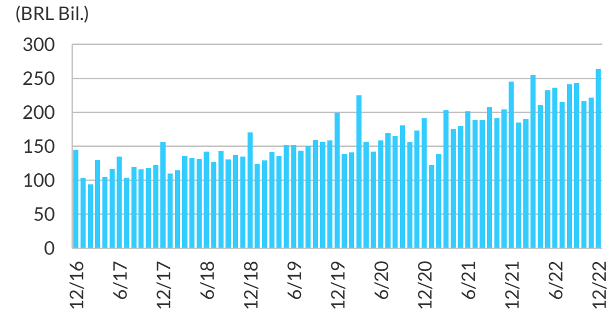

Source: Instituto Brasileiro de Geografia e Estatistica, Banco Central do Brasil

### Household: Delinquency Rate and Credit Growth On Balance



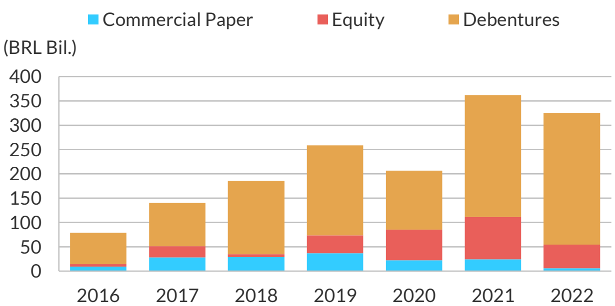

Source: Confederacao Nacional do Comercio, Banco Central do Brasil

### Corporate Lending



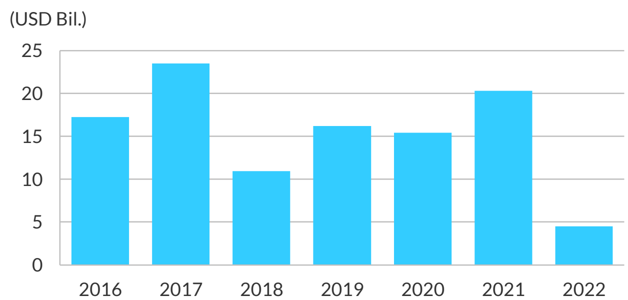

Source: Banco Central do Brasil

### Corporate Issuances



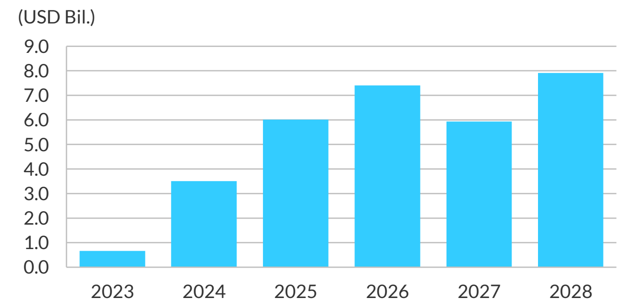

Source: ANBIMA

### Corporates Cross-Border Issuances



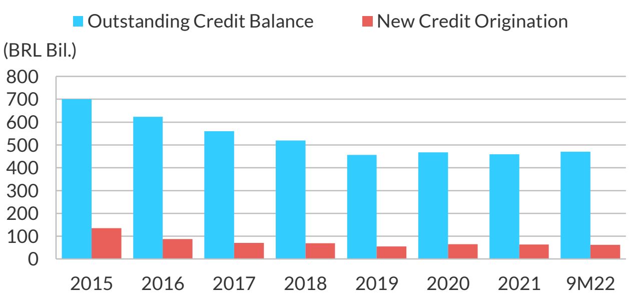

Source: ANBIMA

### Cross-Border Bond Maturities: Fitch Portfolio



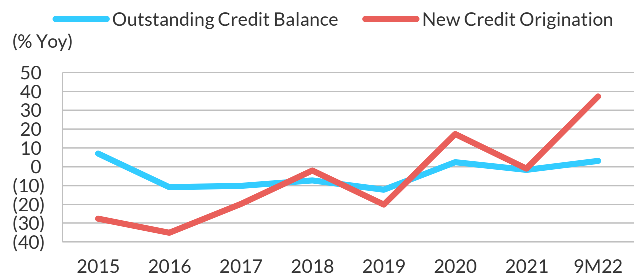

Source: Bloomberg

### BNDES: Credit Growth



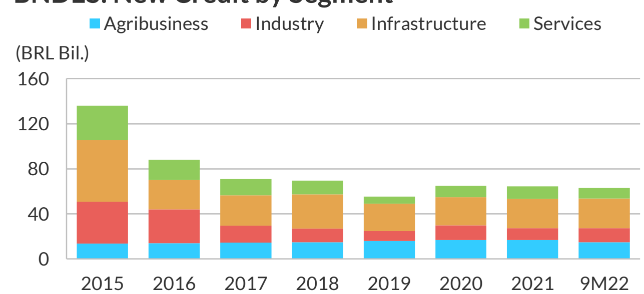

BNDES – Banco Nacional de Desenvolvimento Economico e Social
Source: Fitch Ratings, BNDES

### BNDES: Credit Growth




BNDES – Banco Nacional de Desenvolvimento Economico e Social
Source: Fitch Ratings, BNDES

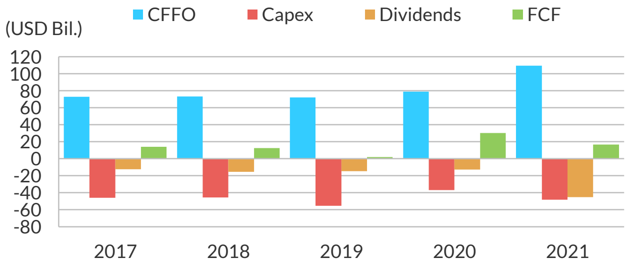
### BNDES: New Credit by Segment




BNDES – Banco Nacional de Desenvolvimento Economico e Social
Source: Fitch Ratings, BNDES

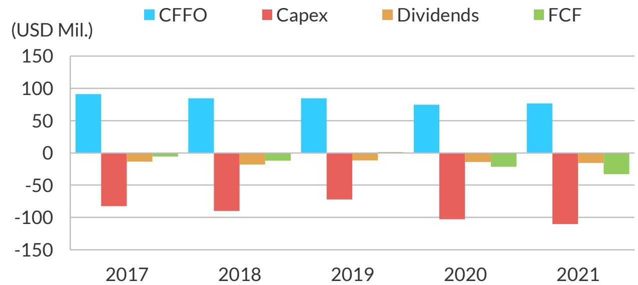
# Brazilian Corporates: Financial Profile

### Aggregate Cash Flow Performance: Brazilian Corporate Ratings (Fitch Portfolio)



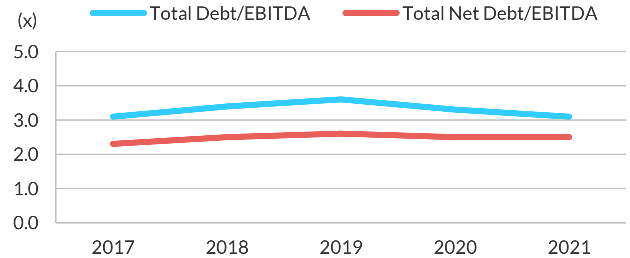

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Brazilian Corporate Ratings (Fitch Portfolio)



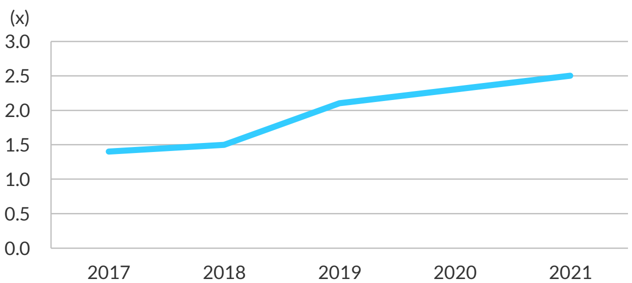

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Leverage: Brazilian Corporate Ratings (Fitch Portfolio)



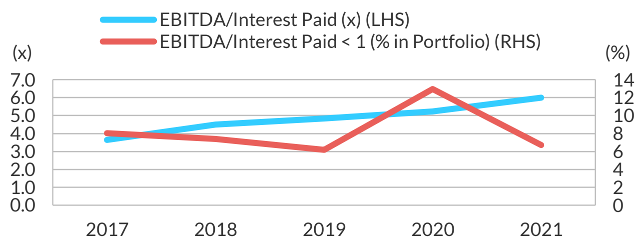

Note: EBITDA measures for airlines, retail and other companies with material rents and lease expense are adjusted to EBITDAR
Source: Fitch Ratings, Fitch Solutions

### Median Liquidity: Cash/Short-Term Debt Brazilian Corporate Ratings (Fitch Portfolio)



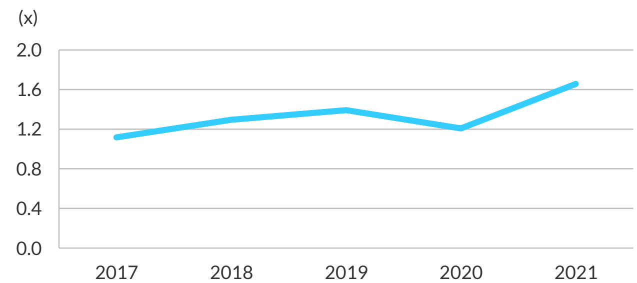

Source: Fitch Ratings, Fitch Solutions

### Median EBITDA/Interest Paid: Brazilian Corporate Ratings (Fitch Portfolio)



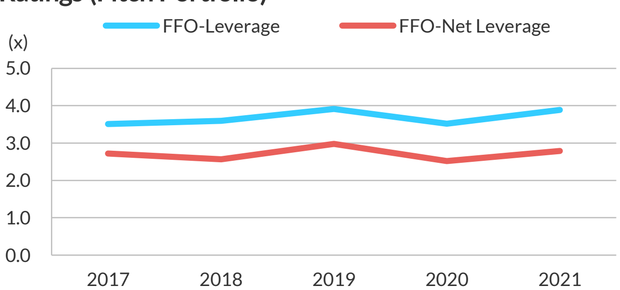

Note: EBITDA measures for airlines, retail and other companies with material rents and lease expense are adjusted to EBITDAR
Source: Fitch Ratings, Fitch Solutions

### Median Capex/Depreciation: Brazilian Corporate Ratings (Fitch Portfolio)



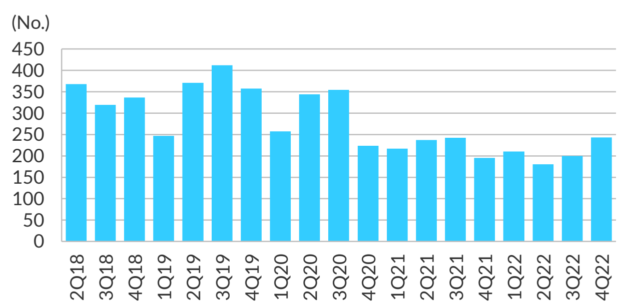

Source: Fitch Ratings, Fitch Solutions

### Median FFO Adjusted Leverage: Brazilian Corporate Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

### Total Judicial Recovery Requests




Source: Fitch Ratings, Fitch Solutions, Serasa Experian

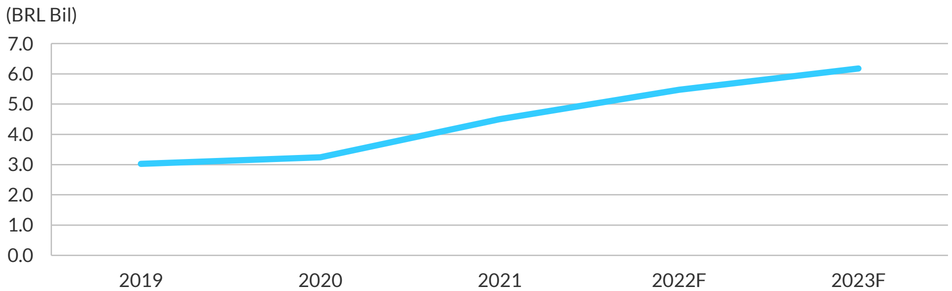
### Debt Restructuring or Judicial Recovery: Fitch Rated Issuers

| 2017 | 2018 | 2019 | 2020 | 2022 | 2023 |
|---|---|---|---|---|---|
| Essencis | Inbrands | USJ | Oi S.A. | — | Americanas |
| Solvi | Constellation Oil Services | Liq | — | — | Oi S.A. |
| Queiroz Galvão | Andrade Guiterrez | Ouro Verde | — | — | — |
| QGDI | — | — | — | — | — |
| Moura Dubeux | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |

Source: Fitch Ratings, Fitch Solutions

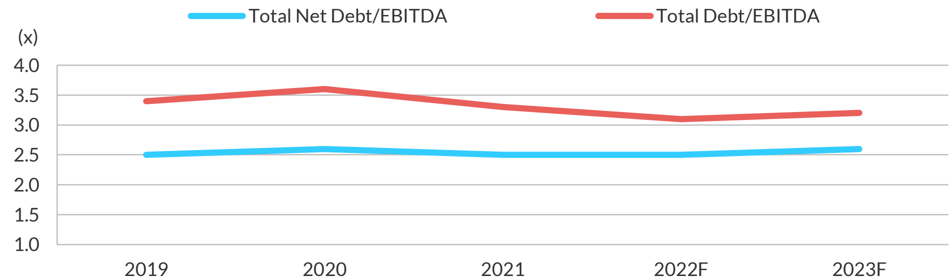
## Brazilian Corporates: Fitch Forecasts

### Median Revenue



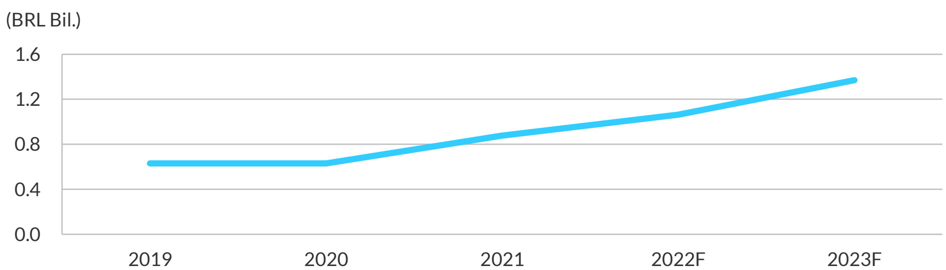

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Leverage



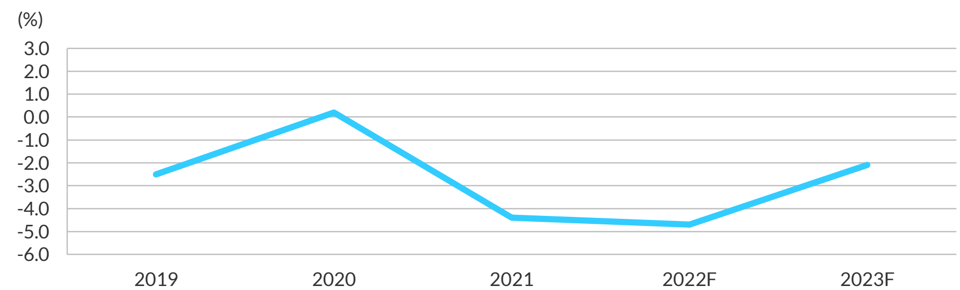

F – Forecast. Note: EBITDA measures for airlines, retail and other companies with material rents and lease expense are adjusted to EBITDAR
Source: Fitch Ratings, Fitch Solutions

### Median EBITDA



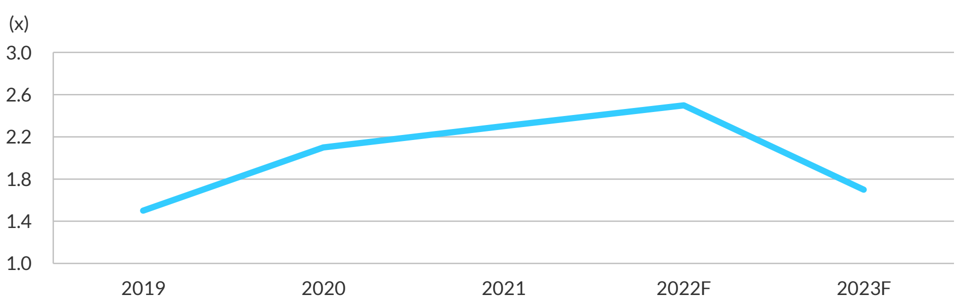

F – Forecast. Note: EBITDA measures for airlines, retail and other companies with material rents and lease expense are adjusted to EBITDAR
Source: Fitch Ratings, Fitch Solutions

### Median FCF Margin



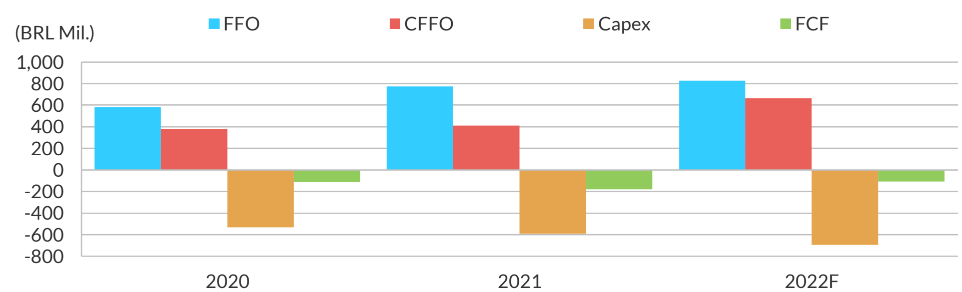

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Liquidity: Cash/Short-Term Debt




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance




F – Forecast. CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

## Brazilian Corporates: Key Statistics

| (BRL Mil.) | | Operating EBITDA[a] | | Cash Flow from Operations | | Total Net Debt/ EBITDA[a] (x) | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Issuer | LT FC IDR | 2021 | 2022F | 2021 | 2022F | 2021 | 2022F | Cash and Marketable Securities | Short-Term Debt | Total Debt |
| Raizen S.A.[a] | BBB | 8,434 | 13,289 | 11,053 | 10,458 | 1.6 | 1.1 | 8,322 | 1,471 | 22,181 |
| Vale S.A. | BBB | 167,625 | 99,082 | 147,848 | 66,089 | 0.0 | 0.2 | 67,744 | 7,819 | 71,545 |
| Gerdau S.A. | BBB | 23,439 | 16,654 | 12,157 | 13,079 | 0.3 | 0.2 | 6,787 | 1,766 | 14,040 |
| Braskem S.A. | BBB- | 29,158 | 11,194 | 13,727 | 10,730 | 1.2 | 2.8 | 12,173 | 1,712 | 46,239 |
| JBS S.A. | BBB- | 43,667 | 39,664 | 23,982 | 18,048 | 1.6 | 1.9 | 23,239 | 11,914 | 92,518 |
| Nexa Resources S.A. | BBB- | 3,799 | 3,825 | 2,307 | 2,947 | 1.5 | 1.2 | 4,342 | 928 | 10,332 |
| Suzano Papel e Celulose S.A. | BBB- | 22,870 | 29,984 | 16,533 | 23,023 | 2.8 | 2.0 | 21,099 | 9,876 | 86,156 |
| Votorantim S.A. | BBB- | 11,772 | 11,219 | 11,275 | 7,753 | 0.9 | 0.9 | 16,812 | 2,974 | 27,375 |
| Dexco S.A. | BB+ | 2,137 | 1,976 | 1,628 | 1,124 | 2.3 | 3.3 | 1,421 | 849 | 6,277 |
| Embraer S.A. | BB+ | 1,948 | 2,048 | 2,884 | 3,665 | 4.3 | 2.4 | 14,080 | 3,267 | 22,915 |
| Klabin S.A. | BB+ | 6,630 | 9,880 | 2,902 | 6,886 | 3.8 | -0.7 | 8,422 | 5,844 | 33,323 |
| Marfrig Global Foods S.A. | BB+ | 14,343 | 9,947 | 5,397 | 4,658 | 1.8 | 2.5 | 8,400 | 7,002 | 30,486 |
| Tupy S.A. | BB+ | 740 | 1,166 | 310 | 168 | 1.8 | 2.0 | 1,272 | 466 | 2,570 |
| Ache Laboratorios Farmaceuticos S.A. | BB | 1,047 | 1,356 | 817 | 716 | 0.6 | 0.5 | 257 | 103 | 891 |
| Aegea Saneamento e Participacoes S.A. | BB | 1,759 | 2,071 | 664 | 444 | 2.8 | 3.5 | 2,537 | 542 | 7,494 |
| Alupar Investimento S.A. | BB | 3,815 | 2,596 | 1,364 | 1,846 | 2.1 | 3.4 | 1,932 | 951 | 10,048 |
| Andre Maggi Participacoes S.A. | BB | 2,460 | 2,591 | 726 | 1,742 | 4.6 | 4.4 | 4,769 | 4,597 | 16,797 |
| BR Malls Participacoes S.A. | BB | 729 | 885 | 397 | 396 | 4.2 | 3.1 | 1,398 | 373 | 4,446 |
| BRF S.A. | BB | 4,590 | 3,618 | 1,365 | 2,000 | 4.1 | 4.0 | 7,876 | 4,106 | 26,583 |
| Cielo S.A. | BB | 3,083 | 4,472 | 1,521 | -2,370 | 2.6 | 2.4 | 5,576 | 2,944 | 13,552 |
| Companhia de Gas de Sao Paulo - COMGAS | BB | 3,015 | 3,120 | 2,089 | 1,718 | 1.6 | 2.0 | 1,919 | 2,289 | 6,662 |
| Companhia de Saneamento Basico do Estado de Sao Paulo (SABESP) | BB | 6,351 | 7,157 | 3,334 | 3,444 | 2.3 | 2.3 | 3,151 | 1,761 | 17,598 |
| Companhia Energetica de Minas Gerais (CEMIG) | BB | 6,336 | 6,411 | 3,754 | 4,708 | 2.1 | 2.1 | 2,549 | 2,108 | 15,685 |
| Companhia Energetica de São Paulo (CESP) | BB | 828 | 1,112 | 625 | -24 | 1.8 | 1.9 | 506 | 111 | 2,009 |
| Companhia Siderurgica Nacional (CSN) | BB | 22,100 | 14,442 | 14,793 | 9,558 | 0.8 | 1.6 | 16,908 | 7,628 | 35,596 |
| Compass Gas e Energia S.A. | BB | 2,345 | 3,510 | 1,752 | 3,115 | 1.0 | 1.4 | 5,438 | 2,536 | 7,667 |
| Cosan S.A. | BB | 6,183 | 5,071 | 2,598 | 1,698 | 3.6 | 2.5 | 20,547 | 4,869 | 43,034 |
| Energisa S.A. | BB | 5,123 | 5,615 | 739 | 5,413 | 3.5 | 3.7 | 4,831 | 5,320 | 22,936 |
| Engie Brasil Energia S.A. | BB | 5,479 | 6,839 | 4,882 | 5,462 | 2.7 | 2.2 | 5,156 | 3,453 | 20,018 |
| Globo Comunicacao e Participacoes S.A. | BB | -251 | -61 | -382 | 657 | 25.6 | 136.4 | 12,317 | 161 | 5,892 |
| JSL S.A. | BB | 675 | 1,070 | 256 | 755 | 4.7 | -0.8 | 954 | 248 | 4,096 |

## Brazilian Corporates: Key Statistics

| (BRL Mil.) | | Operating EBITDA[a] | | Cash Flow from Operations | | Total Net Debt/ EBITDA[a] (x) | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Issuer | LT FC IDR | 2021 | 2022F | 2021 | 2022F | 2021 | 2022F | Cash and Marketable Securities | Short-Term Debt | Total Debt |
| Localiza Rent a Car S.A. | BB | 3,486 | 3,592 | 659 | 231 | 2.0 | 2.7 | 5,010 | 1,804 | 12,039 |
| Minerva S.A. | BB | 2,397 | 2,958 | 1,542 | 1,558 | 2.6 | 2.0 | 7,302 | 1,670 | 13,586 |
| Movida Participacoes S.A. | BB | 1,955 | 3,602 | -316 | -243 | 3.5 | 2.7 | 5,415 | 935 | 12,330 |
| MRS Logistica S.A. | BB | 1,802 | 2,261 | 1,220 | 1,089 | 1.3 | 1.6 | 1,837 | 841 | 4,261 |
| Natura&Co Holdings S.A. | BB | 3,340 | 3,715 | -1,064 | 974 | 1.9 | 1.9 | 5,986 | 945 | 12,338 |
| Rede DOr Sao Luiz S.A. | BB | 4,494 | 4,920 | -256 | 1,120 | 2.8 | 3.2 | 12,554 | 2,066 | 25,341 |
| Rumo S.A. | BB | 2,843 | 5,116 | 1,827 | 3,599 | 3.3 | -1.6 | 10,902 | 1,900 | 20,358 |
| Simpar S.A. | BB | 3,941 | 6,951 | 730 | -98 | 4.0 | 3.3 | 13,634 | 1,999 | 29,305 |
| Transmissora Alianca de Energia Eletrica S.A. | BB | 2,649 | 2,289 | 1,640 | 1,489 | 2.9 | 3.7 | 385 | 962 | 7,950 |
| Transportadora Associada de Gas S.A. - TAG | BB | 5,980 | 6,756 | 4,881 | 4,366 | 3.8 | 3.0 | 439 | 3,388 | 23,432 |
| Usinas Siderurgicas de Minas Gerais S.A. (Usiminas) | BB | 12,601 | 3,706 | 4,707 | 1,134 | 0.0 | -1.4 | 7,024 | 890 | 7,018 |
| Centrais Eletricas Brasileiras S.A. (Eletrobras) | BB– | 15,433 | 14,961 | 10,173 | 8,712 | 3.7 | 4.6 | 15,668 | 7,544 | 72,608 |
| Eldorado Brasil Celulose S.A. | BB– | 3,304 | 4,063 | 2,797 | 3,233 | 1.6 | 0.8 | 947 | 928 | 6,144 |
| FS Agrisolutions Industria de Biocombustiveis Ltda. | BB– | 2,622 | 1,902 | 1,448 | 692 | 1.4 | 2.9 | 2,320 | 1,496 | 6,107 |
| Hidrovias do Brasil S.A. | BB– | 541 | 730 | -29 | 469 | 8.0 | 5.2 | 659 | 251 | 4,991 |
| Inpasa Agroindustrial S.A. | BB– | 1,779 | 234 | 879 | -28 | 1.1 | 1.6 | 315 | 799 | 2,184 |
| Ouro Verde Locacao e Servico S.A. | BB– | 440 | 698 | 613 | 525 | 4.4 | 4.0 | 213 | 78 | 2,170 |
| Petroleo Brasileiro S.A. (Petrobras) | BB– | 235,936 | 343,952 | 181,865 | 240,632 | 0.6 | 0.3 | 63,260 | 20,719 | 203,147 |
| Petro Rio S.A. | BB– | 2,752 | 5,510 | 1,754 | 5,343 | -0.5 | -0.5 | 4,651 | 1 | 3,308 |
| Unigel Participacoes S.A. | BB– | 1,810 | 1,907 | 601 | 886 | 1.4 | 1.4 | 849 | 333 | 3,324 |
| InterCement Participacoes S.A. | B– | 2,397 | 2,335 | 876 | 829 | 3.0 | 3.2 | 1,404 | 837 | 8,937 |
| Light S.A. | CCC+ | 1,882 | 2,099 | -42 | 429 | 4.3 | 4.3 | 3,605 | 1,934 | 11,649 |
| Andrade Gutierrez Engenharia S.A. | CCC– | 183 | -302 | -163 | 201 | 17.1 | -11.6 | 344 | 650 | 3,856 |
| Azul S.A. | CCC– | -1,910 | 3,024 | -2,110 | -1,414 | -11.2 | 7.5 | 3,438 | 4,521 | 24,909 |
| OEC S.A. | CCC– | -260 | -420 | -564 | 208 | -42.5 | -21.7 | 791 | 372 | 9,916 |
| Atento Luxco 1 | CCC | 487 | 477 | -100 | -19 | 5.6 | 5.1 | 733 | 576 | 3,323 |
| General Shopping Brasil S.A. | CC | 53 | 53 | 14 | -40 | 22.5 | 22.5 | 269 | 37 | 1,473 |
| GOL Linhas Aereas Inteligentes S.A. | C | 299 | -4,313 | 178 | -228 | 72.7 | -5.1 | 778 | 2,692 | 22,663 |
| Oi S.A. | C | 973 | 973 | -2,049 | -1,760 | 33.1 | 45.7 | 3,106 | 2,900 | 47,548 |
| Americanas S.A. | D | 2,145 | 1,586 | -1,179 | -272 | 4.5 | 3.7 | 7,004 | 1,577 | 12,865 |
| **Median** | | **2,752** | **3,510** | **1,365** | **1,134** | **2.6** | **2.3** | **4,651** | **1,712** | **12,338** |

[a]EBITDA measures for airlines, retail and other companies with material rents and lease expense were adjusted to EBITDAR. [b]Raizen Combustiveis S.A. and Raizen Energia S.A. are analyzed under the combined financials of Raizen S.A.
LT FC IDR – Long-Term Foreign Currency Issuer Default Rating. F – Forecast. Ratings as of Feb. 28, 2023.
Source: Fitch Ratings, Fitch Solutions

## Related Research

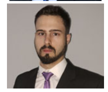
Capital Markets Volume Could Pressure Select Brazil Corporate Ratings (February 2023)

Latin American Corporates Spotlight Series: Brazil (Market's Shift to More Risk Aversion May Be Temporary) (February 2023)

Presidential Election and External Risks Challenge Brazilian Corporates (Most Issuers' Balance Sheets Remain Healthy, but Economy and Election Cause Uncertainty) (September 2022)

## Analysts


**Renato Donatti**
+ 55 11 4504-2215
renato.donatti@fitchratings.com


**Matheus Luchi**
+55 21 4503-2601
matheus.luchi@fitchratings.com

# Chilean Corporate Credit Indicators: Fourth-Quarter 2022

## Economic Downturn Weighs on Performance

**Corporates Under Pressure:** Fitch Ratings forecasts Chile's (A–/Stable) GDP will fall 0.8% in 2023, as inflation is only beginning to ease after peaking at 14%.1 in August 2022. Dismal growth and high inflation are affecting corporate performance and resulting in tighter financing conditions. Fitch believes financial discipline will reasonably cover a majority of the Chilean rated portfolio.

Cross-border issuers had manageable debt, as median leverage for gross debt reached 3.0x and net debt was 1.9x at YE 2021, and was 3.2x and 2.4x, respectively, as of Sept. 30, 2022. Fitch rates 94% of the 32 Chilean cross-border issuers as investment grade, with 29 issuers holding Stable Outlooks and the other three Negative Outlooks.

**Export Sector Is Resilient**: Although the internal and external economic and political environment are complex, effects on corporate performance varies by sector. The export sector, mainly mining and forestry companies, or 20% of cross-border issuers, will continue to benefit from higher than average international prices and a strong U.S. dollar. A dynamic mining sector boosts performance of construction companies and product and service manufacturers that supply the mining sector.

The retail and consumer sectors, 15% of the portfolio, are expected to be affected by a forecast drop in domestic demand, with the food sector being more resilient. These sectors were affected by inflationary pressures on costs, which were not fully passed through to final prices. Favorably, logistics have returned to normal, which is an improvement from 2022.

**Telecommunications Are Negative:** Telecom, 10% of the portfolio, is historically resilient in difficult periods; however, the current environment is challenging. Two out of five rated telecom companies, Telefonica Moviles Chile S.A. (BBB+/Negative) and VTR Finance N.V. (B/Rating Watch Negative), stand out with a Negative bias. A depressed domestic market, coupled with high levels of competition and heavy investment needs, is pressuring the sector's performance.

**Electric Generators in a Challenging Environment:** Operating margins declined for electric generators in 2022 due to increases in coal, natural gas and diesel prices, as generators dispatched less efficient power generation units. Low hydrological conditions put further pressure on margins.

Generators with exposure to regulated customers have seen a delay in the implementation of the second tranche of the Ley de Estabilización de las Cuentas de Electricidad (PEC2), or the Law on the Stabilization of Electricity Accounts, which pressures corporates' liquidity. Enel Chile S.A. (BBB+/Stable) is affected and is relying on committed credit lines. Colbun S.A. (BBB+/Stable) maintains a strong level of cash, while Engie Energia Chile S.A.'s (BBB/Stable) generation capacity is highly affected.

**Liquidity Tight but Manageable Amortizations:** Chilean cross-border issuers are well prepared to manage debt maturities of USD8.1 billion in 2023 and USD7.5 billion in 2024. Fitch believes corporates are prepared to face amortization schedules even with reduced liquidity. Median cash/short-term debt was 1.2x and cash plus cash flow from operations/short-term debt was 2.3x, as of September 2022, a decline compared with 2.8x and 4.2x, respectively, at YE 2021.

"The speed at which the economy reverses its slowdown and inflation begins to decline is critical for the performance of corporates. We expect liquidity buffers from upturns will continue to counteract tighter financing conditions. In the medium to long term, tax and pension developments and the outcome of a new constitution will be important for businesses."

Rina Jarufe, Senior Director

Cross-border financial debt has sector concentration, as natural resources, energy and retailing account for 73% of total amortizations in 2023–2024. Seven issuers comprise 60% of amortizations and most of these maturities are from investment-grade issuers with proven financial flexibility.

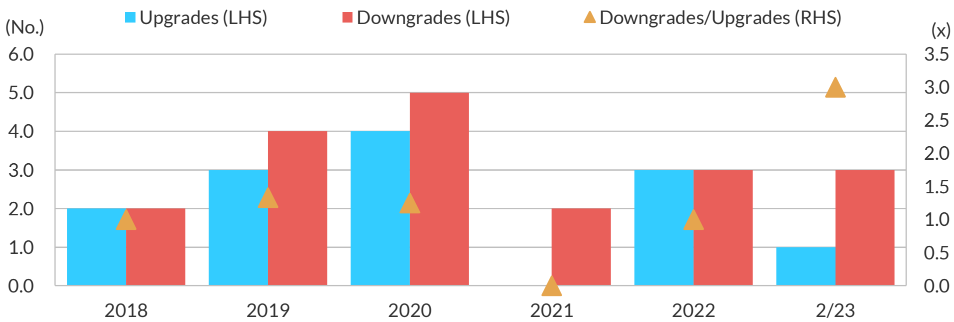
**Main Macroeconomic Challenges:** A dismal macroeconomic environment, high inflation and strong pressure for higher social spending are challenging government finances. The government needs to accelerate an economic recovery, contain inflation and demands for greater spending, while avoiding withdrawals from pension funds. Moving forward with the economic proposals being discussed in congress, tax and pension policies are key as the government seeks to maintain fiscal balance and respond to social demands for better pensions, while trying to entice investors.

**A New Path for the Constitution:** After the first proposal for a new constitution was widely rejected, we see lower risk of radical changes in the second attempt. The process started with key principles agreed upon by the constitutional congress, a measure not present in the previous attempt.

The principles include protection for property rights, congress' current structure and central bank independence. The charter will now be written by a mixed body. A constitutional council with 50 delegates, from 155 previously, will be elected on May 7, 2023, accompanied by a previously selected congressional committee of 24 experts. The exit referendum will be held on Dec. 17, 2023.

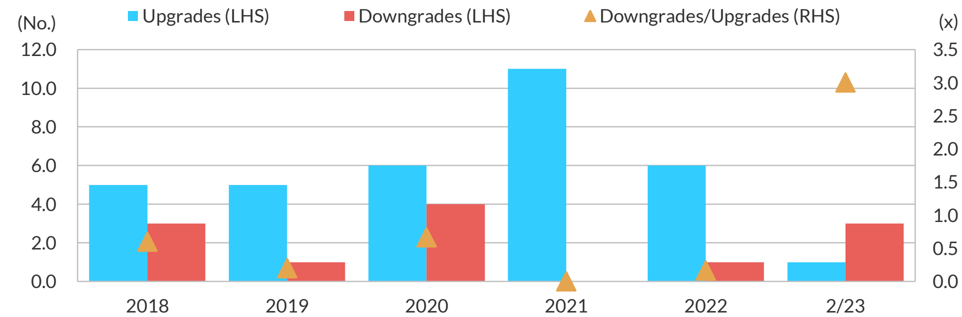
# Chilean Corporates: Rating Portfolio

## Downgrades and Upgrades: International Scale
(As of Feb. 24, 2023)



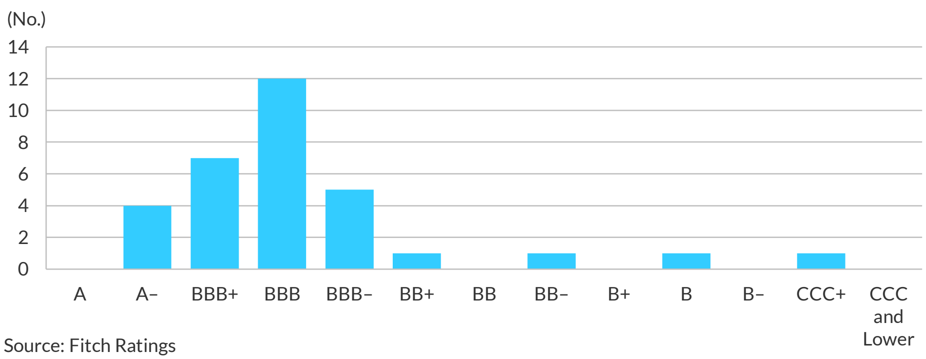

Note: Excludes multiple rating actions on the same issuer.
Source: Fitch Ratings

## Downgrades and Upgrades: National Scale
(As of Feb. 24, 2023)



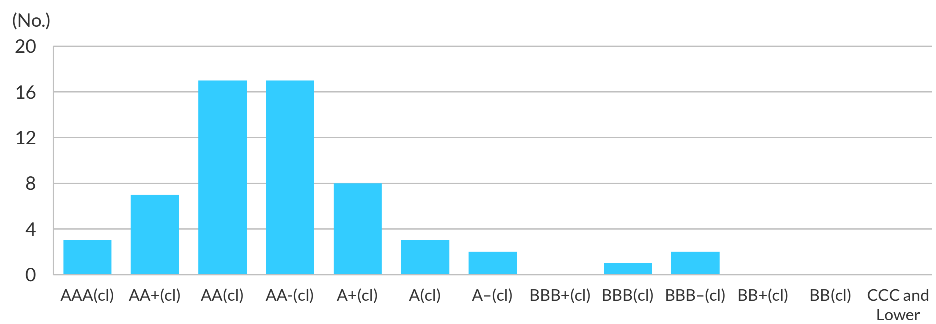

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

## Chilean Corporate Ratings Distribution: International Scale
(As of Feb. 24, 2023)



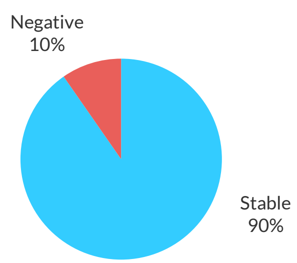

Source: Fitch Ratings

## Chilean Corporate Ratings Distribution: National Scale
(As of Feb. 24, 2023)



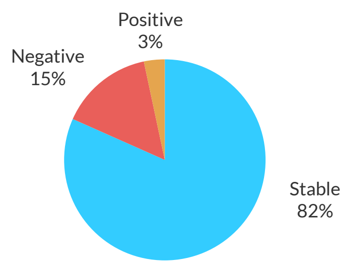

Source: Fitch Ratings

## Rating Outlook/Watch: International Scale
(As of Feb. 24, 2023)



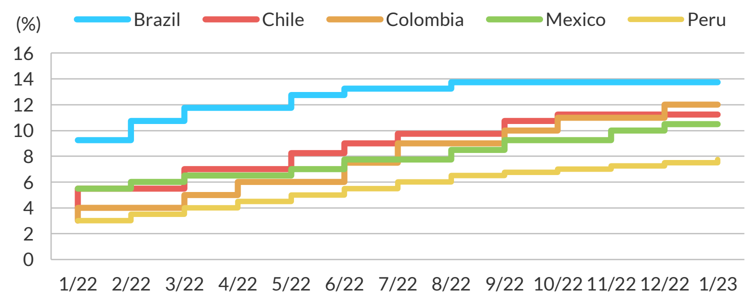

Source: Fitch Ratings

## Rating Outlook/Watch: National Scale
(As of Feb. 24, 2023)




Source: Fitch Ratings

## Central Bank Rates by Country




Source: Fitch Ratings, Fitch Solutions

# Chilean Corporates: Sector Risks Profile

## Key Risks for Chilean Corporates in 2023

- Economic deacceleration
- High refinancing costs and double-digit inflation rates
- Economic reforms under discussion and a new constitution is maintaining uncertainty in the business environment

Source: Fitch Ratings

## Key Risks: Issuer Portfolio

| International Scale | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| AES Andes S.A. | Yellow | Green | Yellow | Green | Green | Yellow |
| Agrosuper S.A. | Green | Green | Yellow | Yellow | Yellow | Green |
| Antofagasta PLC | Green | Green | Yellow | Green | Green | Green |
| CAP S.A. | Green | Green | Yellow | Yellow | Green | Green |
| Celulosa Arauco y Constitucion S.A. | Yellow | Green | Yellow | Green | Green | Green |
| Cencosud S.A. | Green | Yellow | Green | Yellow | Green | Green |
| Colbun S.A. | Green | Green | Yellow | Green | Green | Green |
| Compania Cervecerias Unidas S.A. (CCU) | Green | Yellow | Green | Green | Green | Green |
| Corporacion Nacional del Cobre de Chile (CODELCO) | Yellow | Green | Red | Green | Yellow | Green |
| Embotelladora Andina S.A. | Green | Yellow | Green | Yellow | Green | Green |
| Empresa Electrica Cochrane SpA | Red | Green | Green | Green | Green | Green |
| Empresa Nacional de Telecomunicaciones S.A. | Green | Yellow | Green | Yellow | Green | Green |
| Empresa Nacional del Petroleo (ENAP) | Yellow | Green | Yellow | Yellow | Green | Green |
| Empresas CMPC S.A. | Yellow | Green | Yellow | Green | Green | Green |
| Empresas Copec S.A. | Yellow | Yellow | Yellow | Green | Green | Green |
| Enel Americas S.A. | Green | Green | Green | Yellow | Green | Green |

| National Scale | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Aguas Andinas S.A. | Green | Green | Green | Green | Red | Green |
| Aguas de Antofagasta S.A. | Green | Green | Green | Green | Green | Green |
| Almendral S.A. | Green | Yellow | Green | Yellow | Green | Green |
| Antarchile S.A. | Yellow | Yellow | Yellow | Green | Green | Green |
| Banmedica S.A. | Green | Yellow | Green | Green | Yellow | Green |
| Besalco S.A. | Green | Red | Yellow | Yellow | Green | Green |
| Carozzi S.A. | Green | Yellow | Green | Green | Yellow | Yellow |
| CGE Transmision S.A. | Green | Green | Green | Green | Red | Yellow |
| Chilquinta Distribución S.A. | Green | Green | Green | Green | Yellow | Green |
| Cintac S.A. | Green | Yellow | Yellow | Red | Red | Yellow |
| Compania Electro Metalurgica S.A. | Green | Green | Yellow | Yellow | Red | Yellow |
| Compania General de Electricidad S.A. (CGE) | Green | Green | Green | Green | Red | Yellow |
| Empresa Electrica de Magallanes S.A. (Edelmag) | Green | Green | Green | Yellow | Green | Green |
| Empresa Nacional de Aeronautica de Chile | Green | Green | Green | Yellow | Green | Yellow |
| Empresa de Correos de Chile | Green | Yellow | Green | Green | Yellow | Green |
| Empresas Carozzi S.A. | Green | Yellow | Green | Green | Yellow | Yellow |

## Key Risks: Issuer Portfolio

| International Scale | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Enel Chile S.A. | Low | Low | Medium | Medium | Medium | Low |
| Enel Generacion Chile S.A. | Low | Low | Medium | Low | Medium | Low |
| Engie Energia Chile S.A. | Medium | Low | Medium | Low | High | Medium |
| Enjoy S.A. | Medium | High | Low | Medium | Medium | Medium |
| Falabella S.A. | Low | High | Low | Medium | High | Medium |
| Forestal, Constructora y Comercial del Pacifico Sur S.A. | Low | Low | Medium | Low | Low | Low |
| GNL Quintero S.A. | Low | Low | Low | Low | Low | Low |
| Inversiones CMPC | Medium | Low | Medium | Low | Low | Low |
| Mercury Chile HoldCo LLC | Medium | Low | Medium | Low | High | Low |
| Minera Valparaiso S.A. | Low | Low | Medium | Low | Low | Low |
| Molibdenos y Metales S.A. (Molymet) | Low | Low | Medium | Low | Low | Low |
| Sociedad de Transmisión Austral S.A. | Low | Low | Low | Low | Medium | Low |
| Telefonica Moviles Chile S.A. | Low | Medium | Low | Medium | Medium | Low |
| Transelec S.A. | Low | Low | Low | Low | Medium | Low |
| VTR Finance N.V. | Low | Medium | Low | Medium | High | High |
| WOM S.A. | Low | Medium | Low | Medium | Medium | Medium |

| National Scale | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Empresas Gasco S.A. | Low | Medium | Medium | Medium | Low | Low |
| Empresas Red Salud S.A. | Low | Medium | Low | Low | Low | Low |
| Enaex S.A. | Low | Low | Medium | Medium | Low | Low |
| Fondo de Inversion Independencia Rentas Inmobiliarias | Low | Medium | Low | Low | High | Low |
| Fondo de Inversion Banchile Rentas Inmobiliarias | Low | Medium | Low | Low | High | Low |
| Grupo Empresas Navieras S.A. | Low | Medium | Low | Medium | Low | Medium |
| GTD Grupo Teleductos S.A. | Low | Medium | Low | Low | Medium | Low |
| Instituto de Diagnostico S.A. | Low | Medium | Low | Low | Medium | Medium |
| Inversiones Aguas Metropolitanas S.A. (IAM) | Low | Low | Low | Low | High | Low |
| LATAM Airlines Group S.A. | Low | High | Medium | Medium | Medium | High |
| Masisa S.A. | Low | Medium | Low | Low | Low | Low |
| Quinenco S.A. | Low | Medium | Low | Low | Low | Low |
| SalfaCorp S.A. | Low | High | Medium | Low | High | Medium |
| Sigdo Koppers S.A. | Low | Medium | Medium | Medium | Low | Low |
| Sociedad Anonima Vina Santa Rita (Santa Rita) | Low | Medium | Low | Medium | High | Medium |
| Sociedad Quimica y Minera de Chile S.A. (SQM) | Low | Low | Medium | Medium | Low | Low |
| Sodimac S.A. | Low | High | Low | Low | Medium | Low |
| Sonda S.A. | Low | Medium | Low | Medium | Low | Low |
| Vina San Pedro Tarapaca S.A. | Low | Medium | Low | Medium | Low | Low |

**Low Risk** (green)
**Medium Risk** (yellow)
**High Risk** (red)

ESG – Environmental, social and governance
Source: Fitch Ratings, Fitch Solutions

# Chilean Corporates: Sector Risks Profile

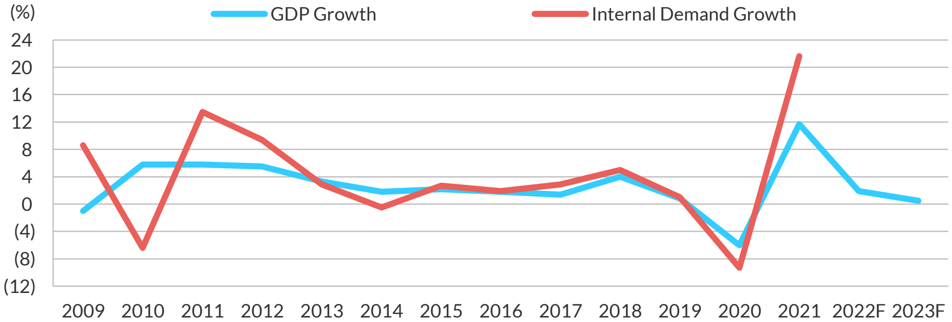
## Chilean Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | National Scale | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Electric–Corporate | 30 | 20 | ↓ | Medium | High hydrocarbon costs and transmission constraints eroded margins and are weakening small reneawables projects. Risk of uncollectibles on receivables for distribution companies. |
| Transportation | 0 | 3 | → | Medium | Air transportation is in the process of recovering to pre-pandemic levels. |
| Food, Beverage & Tobacco | 9 | 12 | → | High | Strong brands and manageable leverage. Inorganic growth opportunities may arrive. |
| Entertainment | 3 | 0 | ↓ | Medium | An economic downturn will affect sector demand. |
| Building Materials & Construction | 0 | 5 | ↓ | Low | A decline in demand and higher interest rates are affecting financial stability. |
| Metals & Mining | 9 | 7 | → | High | Increases in royalties are expected. Moderate to high copper prices. |
| Energy (Oil & Gas) | 6 | 3 | → | Medium | Regulatory risk in the liquefied petroleum gas distribution business. |
| Real Estate–Malls | 0 | 3 | → | High | The reshaping and recovery process continues. |
| Media & Telecommunications | 15 | 8 | ↓ | Medium | Capex in 5G pressuring companies' cash flow. A highly competitive environment is eroding margins. |
| Health Care | 0 | 5 | → | Medium | Uncertainty in the health insurance sector weighs on the health care provider segment. |
| Pulp & Forestry Products | 15 | 10 | ↓ | High | Forestry fires are affecting the sector. Moderate to high pulp prices are a positive. |
| Technology | 0 | 2 | → | High | Increasing geographic diversification. A focus on strengthening profitability margins in Brazil. |
| Water Utilities & Environmental Services | 0 | 5 | → | Medium | Higher capex to improve sector standards will keep pressuring companies' credit metrics. |
| Retail | 6 | 3 | ↓ | Medium | An economic slowdown and high inflation are affecting revenue and profitability. Performance in online businesses is important. |
| Other | 6 | 12 | — | — | — |

↓ = Negative Outlook. → = Stable Outlook. ↑ = Positive Outlook.
Source: Fitch Ratings, Fitch Solutions

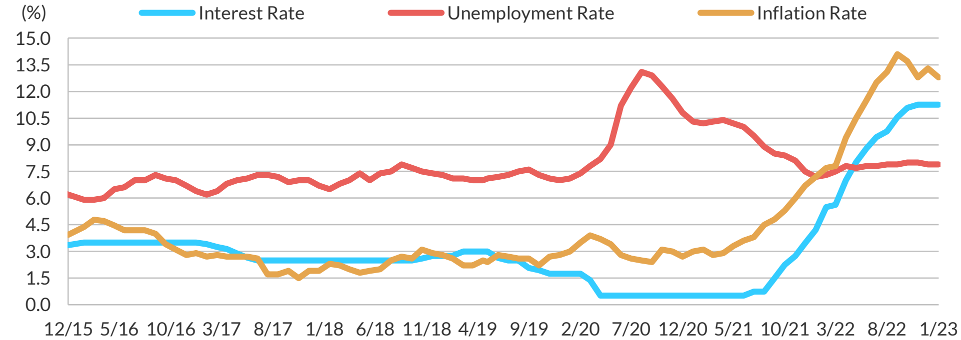
# Chilean Corporates: Key Macro Variables

## Chilean GDP and Internal Demand Growth



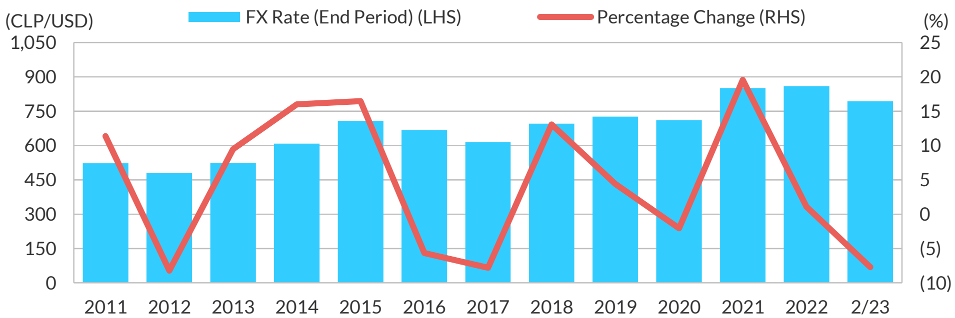

F – Forecast. Note: Reference 2013 base year prices.
Source: Fitch Ratings, Fitch Solutions, Banco Central de Chile

## Unemployment, Inflation and Interest Rates



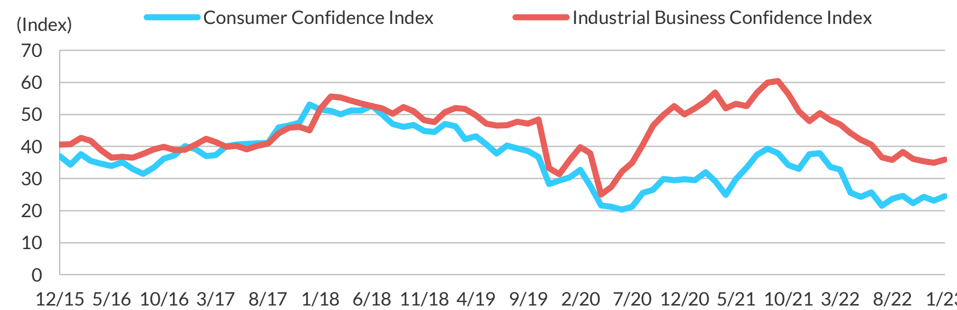

Source: Banco Central de Chile

## FX Rate




Source: Banco Central de Chile

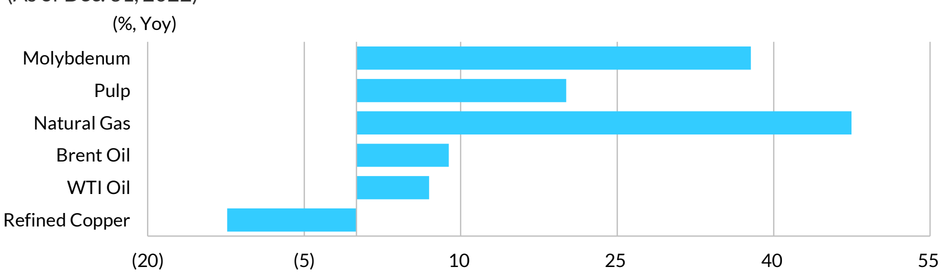
## Confidence Indicators




Source: Banco Central de Chile

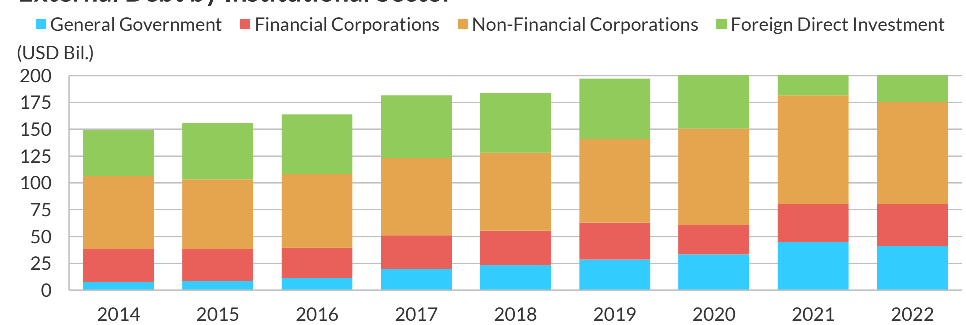
## Key Commodity Price Changes

(As of Dec. 31, 2022)




WTI – West Texas Intermediate
Source: Comision Chilena del Cobre, Sociedad Nacional de Minería, Hawkings Wright, Indexmundi

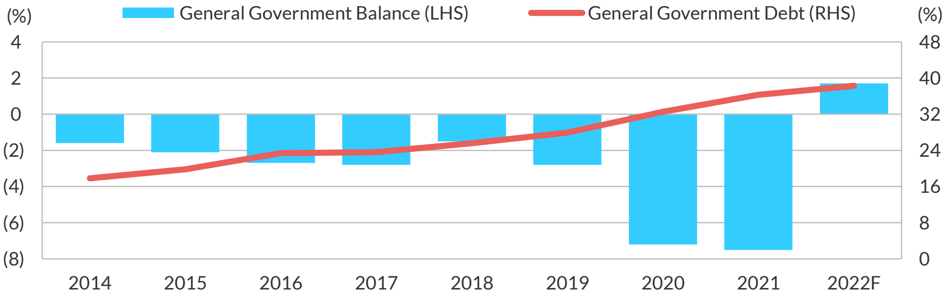
## External Debt by Institutional Sector




Source: Banco Central de Chile

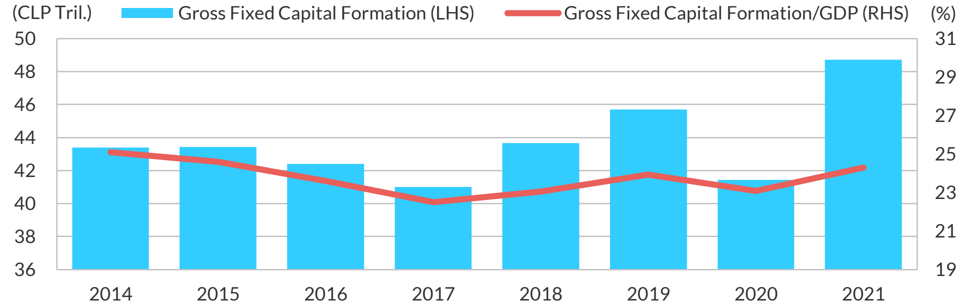
# Chilean Corporates: Key Macro Variables

## General Government Balance and Debt as a Percentage of GDP




F – Forecast
Source: Fitch Ratings, Fitch Solutions, Banco Central de Chile

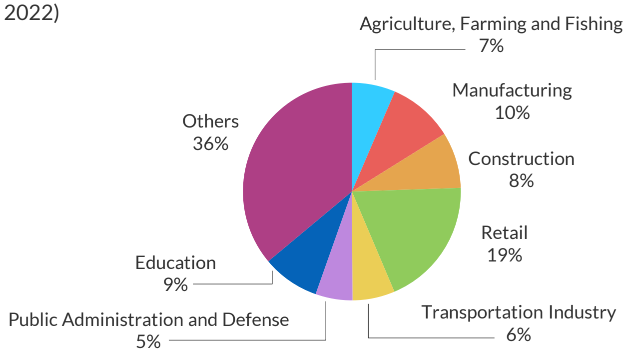
## Gross Fixed Capital Formation




Source: Banco Central de Chile

## Employment by Economic Activity

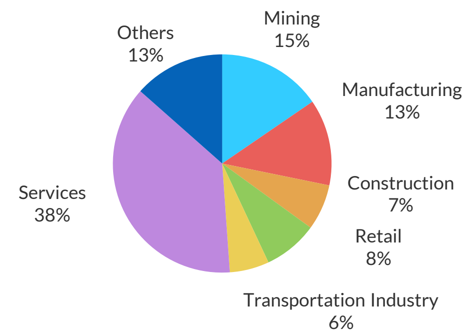
(As of Dec. 30, 2022)




Source: Banco Central de Chile

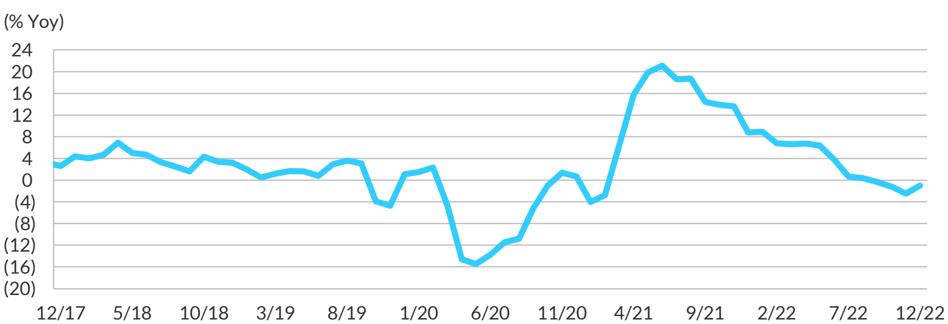
## GDP by Economic Activity

(As of Sept. 30, 2022)




Source: Banco Central de Chile

## Monthly Economic Activity Indicator Variation




Note: Reference 2018 Index = 100
Source: Banco Central de Chile

## Growth Trends: Selected Sectors

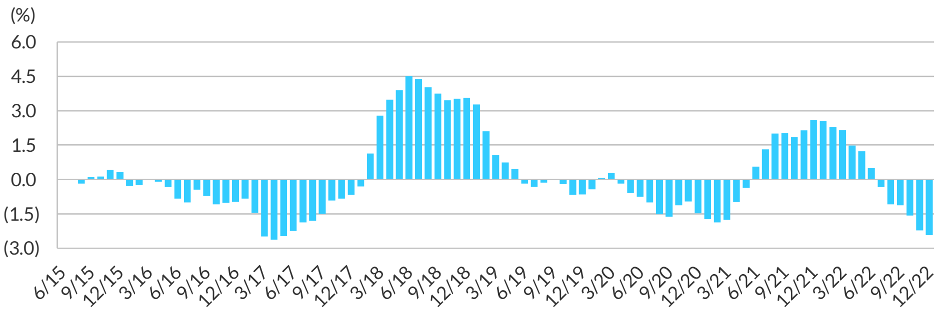
(%)

| Industry | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Mining | -1.2 | 5.2 | -3.2 | 2.2 | -0.3 |
| Food Products | 6.4 | 1.9 | -0.1 | 0.5 | 2.0 |
| Beverage and Tobacco | -4.9 | 14.3 | -3.7 | -9.6 | 27.9 |
| Pulp and Paper | -1.1 | 2.3 | -3.6 | -4.8 | 6.3 |
| Electricity, Gas and Water | 4.5 | 5.4 | -2.5 | -1.8 | 1.2 |
| Construction | -3.7 | 1.6 | 4.5 | -12.5 | 14.0 |
| Retail | 3.9 | 3.8 | -0.1 | -4.5 | 23.2 |
| Transportation | 1.3 | 2.4 | 2.1 | -14.8 | 12.9 |
| Communication | 3.5 | 7.2 | 2.8 | 5.2 | 9.0 |

Source: Banco Central de Chile.

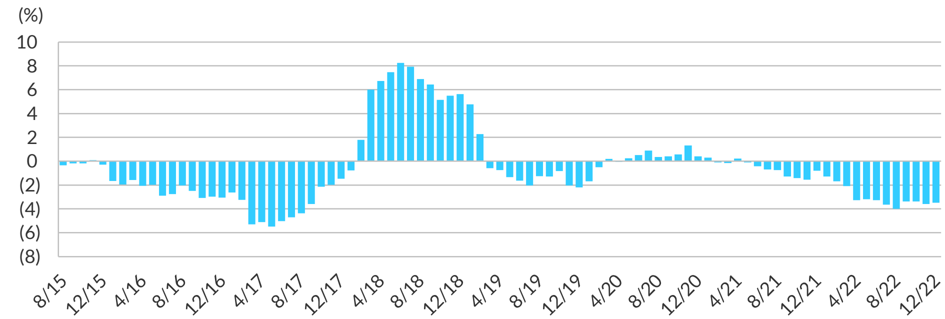
## Chilean Corporates: Industrial Indicators

### Industrial Production
(Average LTM Change)



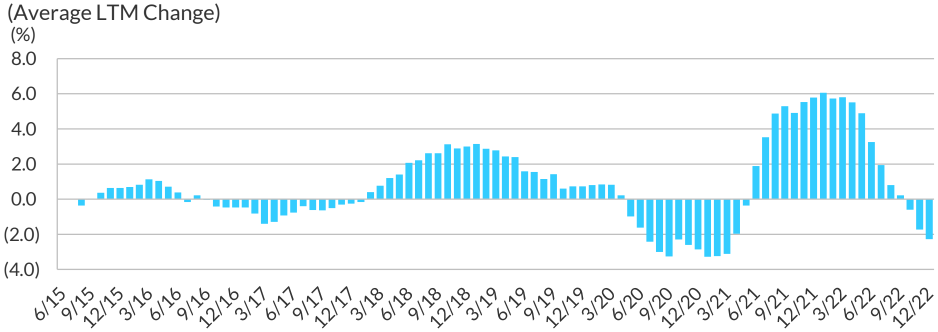

Source: Instituto Nacional de Estadisticas

### Mining Production
(Average LTM Change)



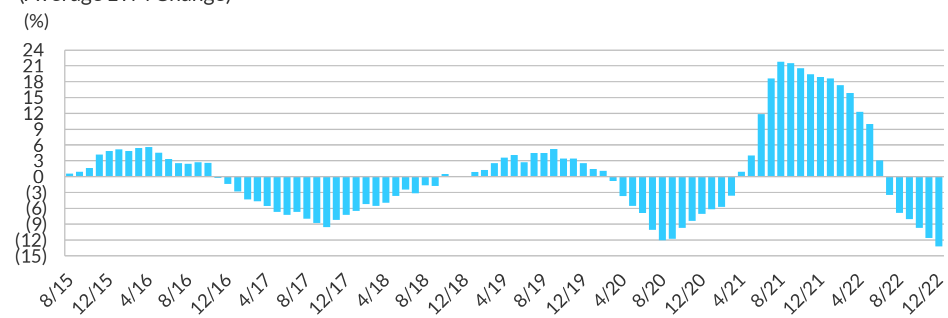

Source: Instituto Nacional de Estadisticas

### Manufacturing Production
(Average LTM Change)



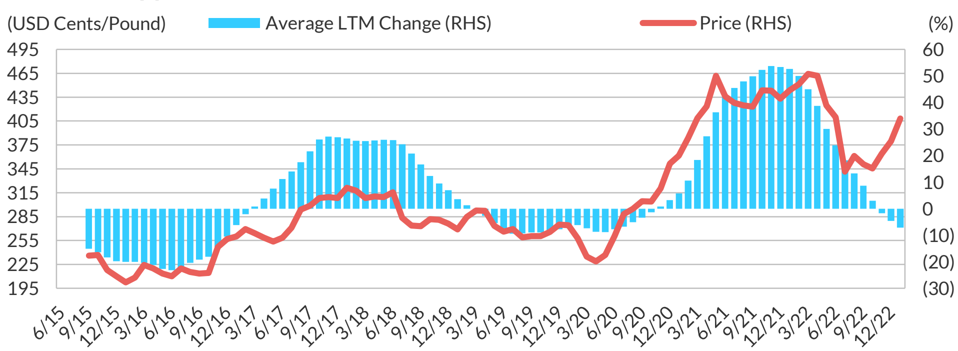

Source: Instituto Nacional de Estadsticas

### Cement Sales
(Average LTM Change)



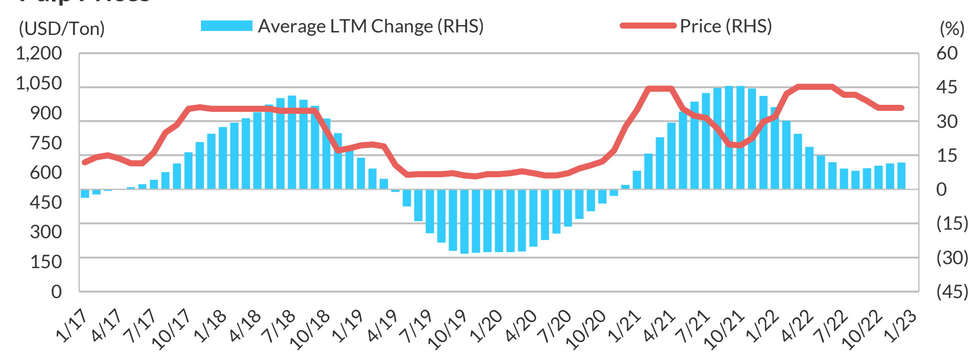

Source: Camara Chilena de la Construccion

### Refined Copper Prices




Source: Comision Chilena del Cobre

### Pulp Prices

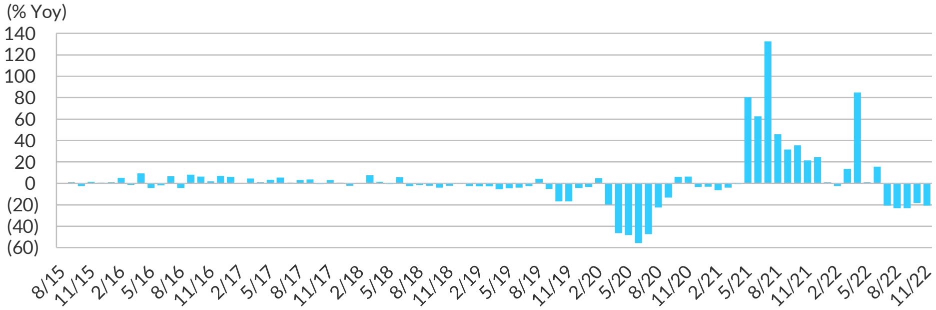



Source: Hawkins Wright

# Chilean Corporates: Industrial Indicators

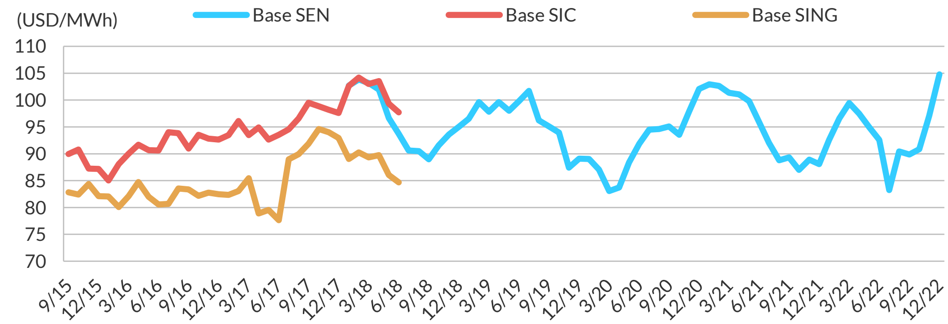
### Retail Sales

(Yoy Variation)




Source: Camara Nacional de Comercio

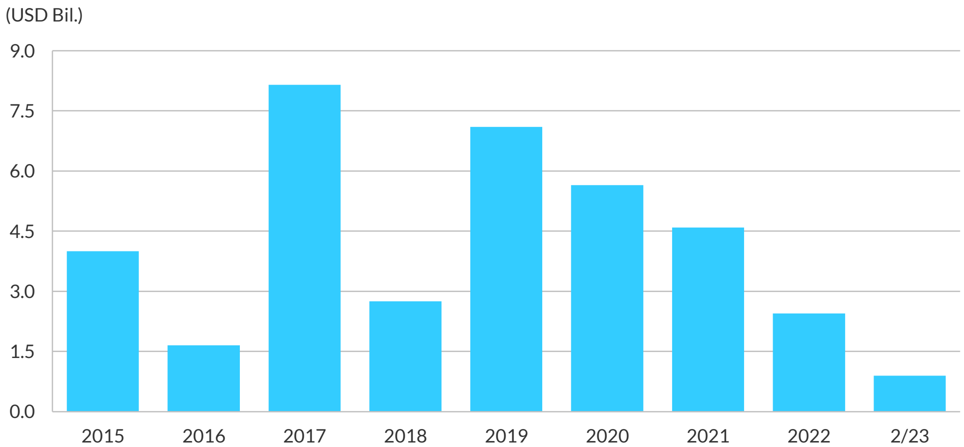
### Energy Market Base Price




SEN – Sistema Electrico Nacional. SIC – Sistema Interconectado Central. SING – Sistema Interconectado del Norte Grande.
Source: Comision Nacional de Energia

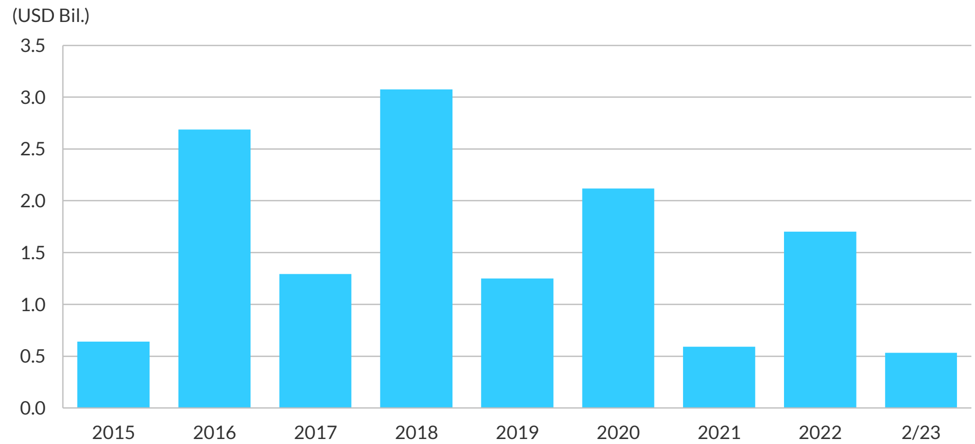
## Chilean Corporates: Credit Overview

### Cross-Border Corporate Issuances: Fitch Portfolio



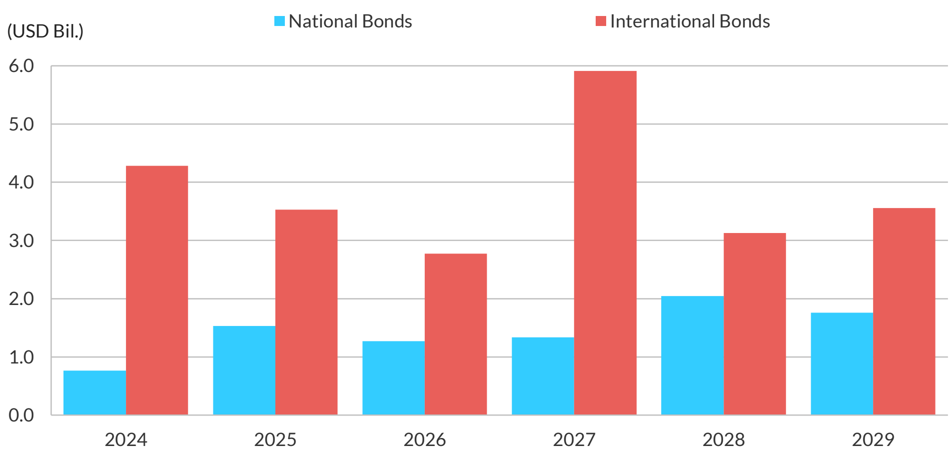

Source: Fitch Ratings, Fitch Solutions

### Local Market Issuances: Fitch Portfolio



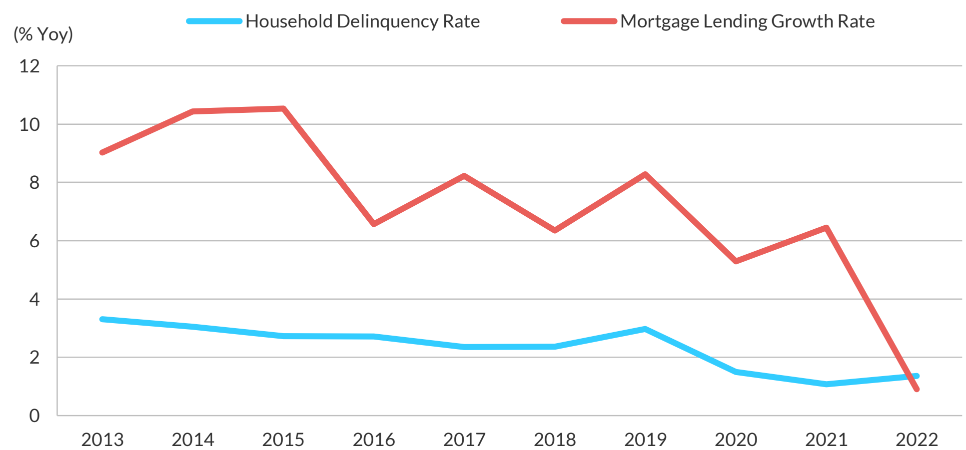

Source: Fitch Ratings, Fitch Solutions

### Chilean Corporate Bond Maturities: Fitch Portfolio




Source: Fitch Ratings, Fitch Solutions

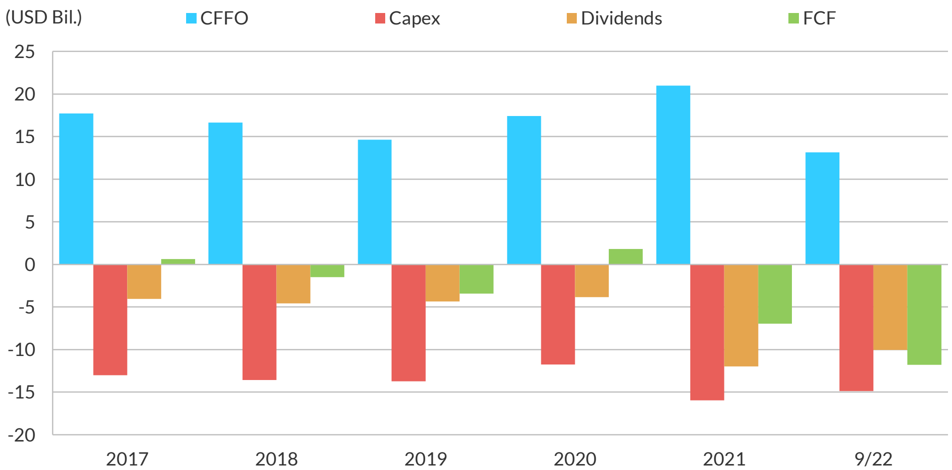
### Household Delinquency Rate and Mortgage Lending Growth Rate




Source: Fitch Ratings, Fitch Solutions, Superintendencia de Bancos e Instituciones Financieras

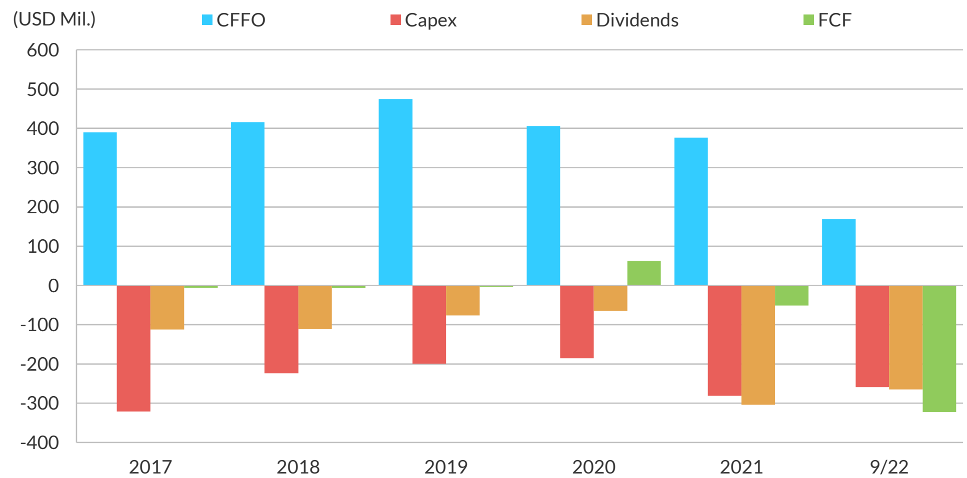
## Chilean Corporates: Financial Profile (International Portfolio)

### Aggregate Cash Flow Performance: Chilean International Ratings (Fitch Portfolio)



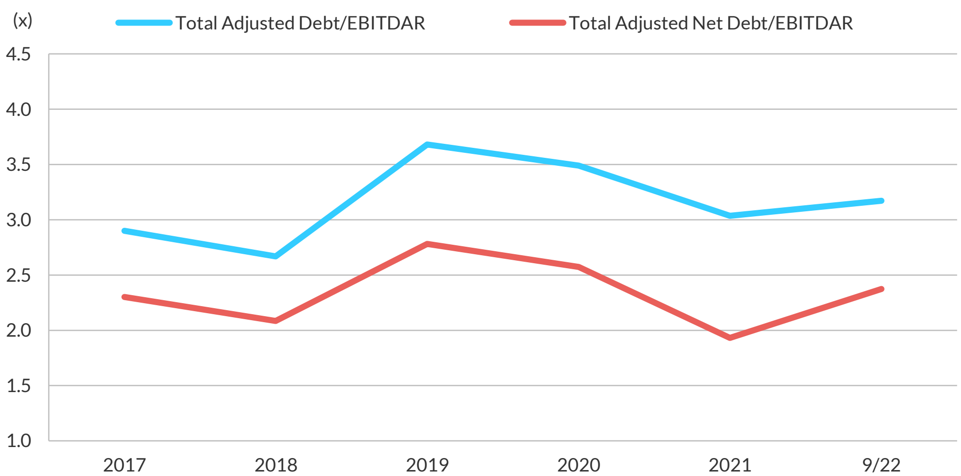

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Chilean International Ratings (Fitch Portfolio)



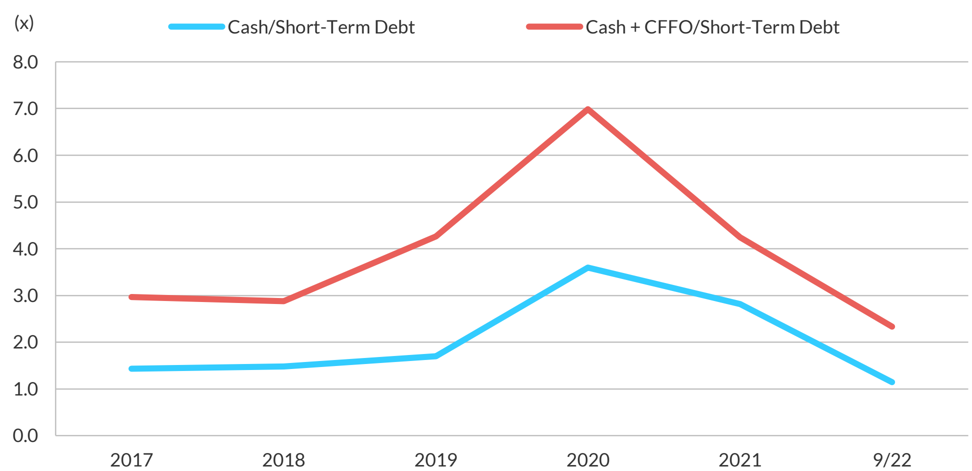

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Leverage: Chilean International Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

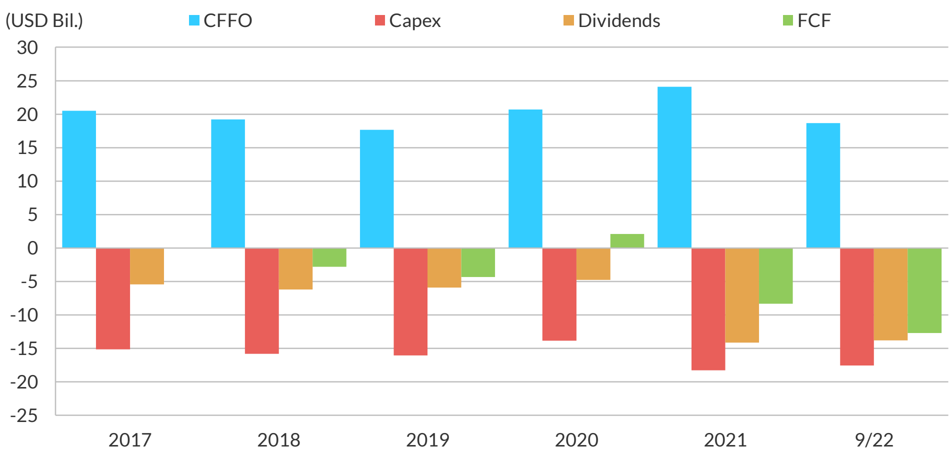
### Median Liquidity: Chilean International Ratings (Fitch Portfolio)




CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

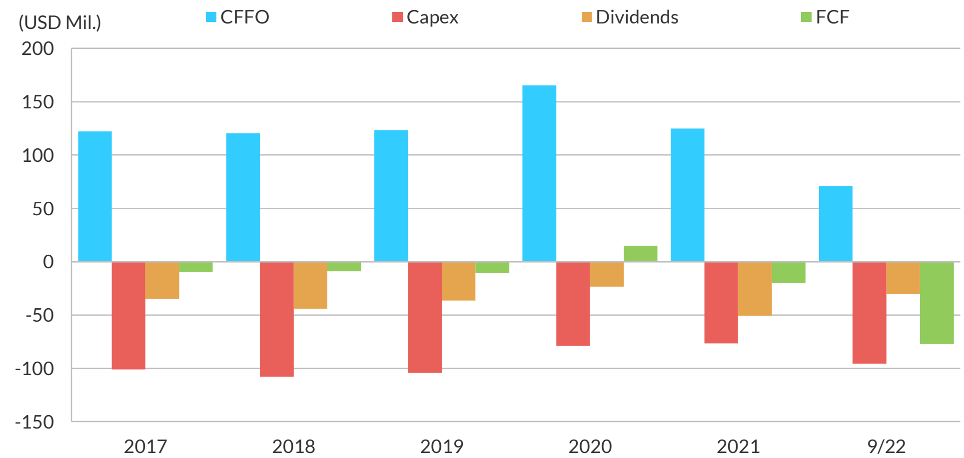
## Chilean Corporates: Financial Profile (Total Portfolio)

### Aggregate Cash Flow Performance: Chilean Corporate Ratings (Fitch Portfolio)



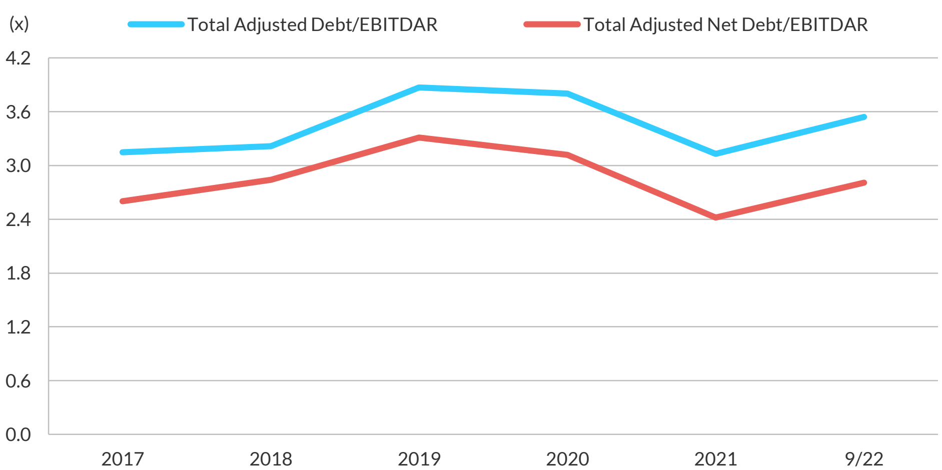

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Chilean Corporate Ratings (Fitch Portfolio)



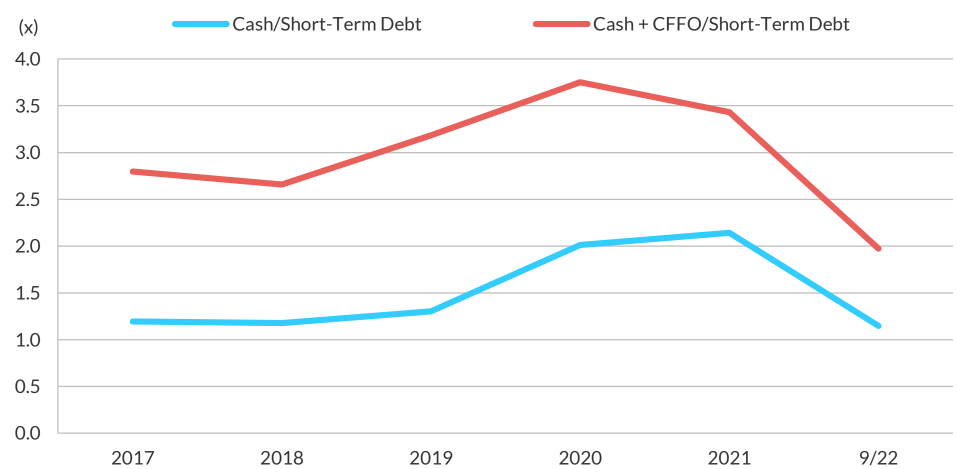

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Leverage: Chilean Corporate Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

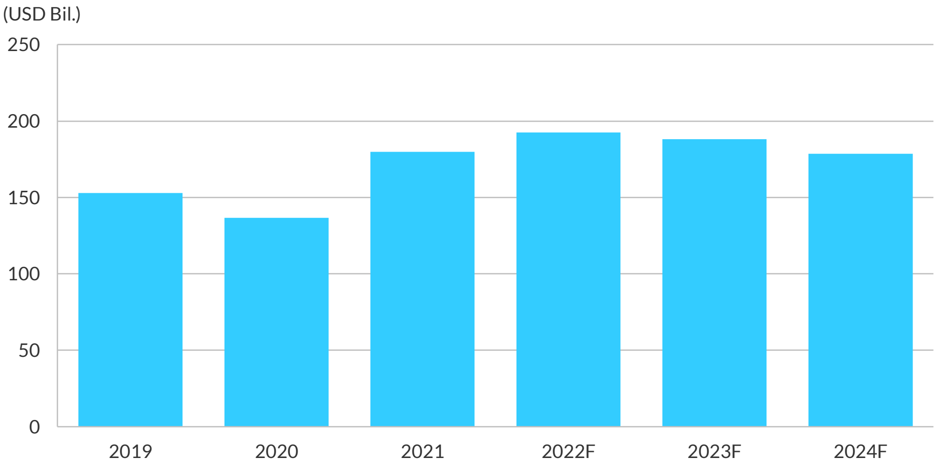
### Median Liquidity: Chilean Corporate Ratings (Fitch Portfolio)




CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

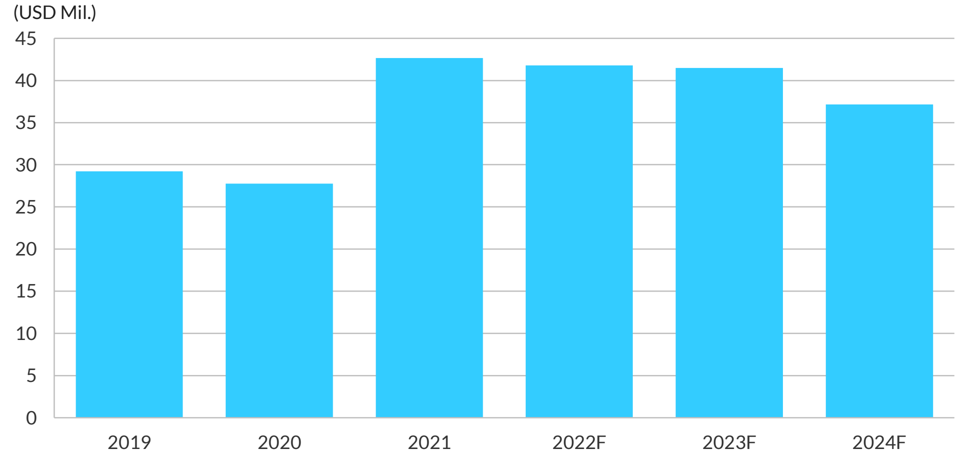
## Chilean Corporates: Financial Profile (Total Portfolio)

### Gross Revenue Projections



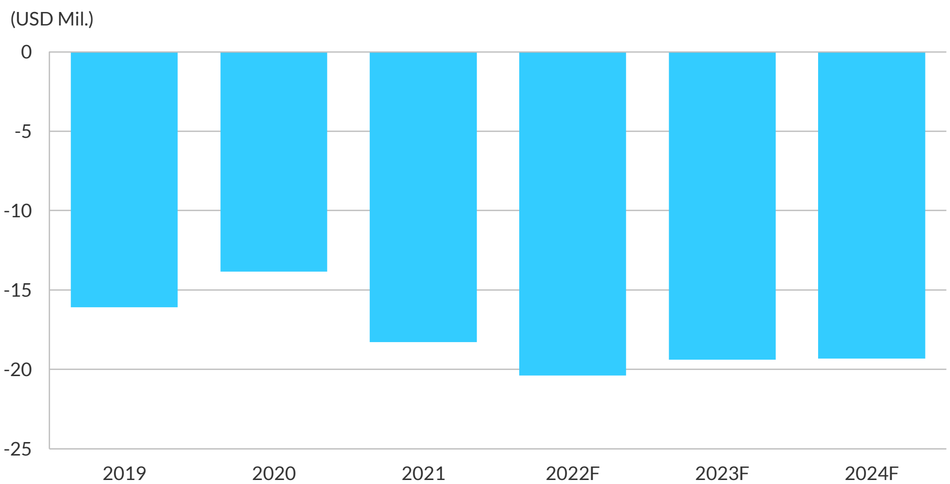

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Operating EBITDAR Projections



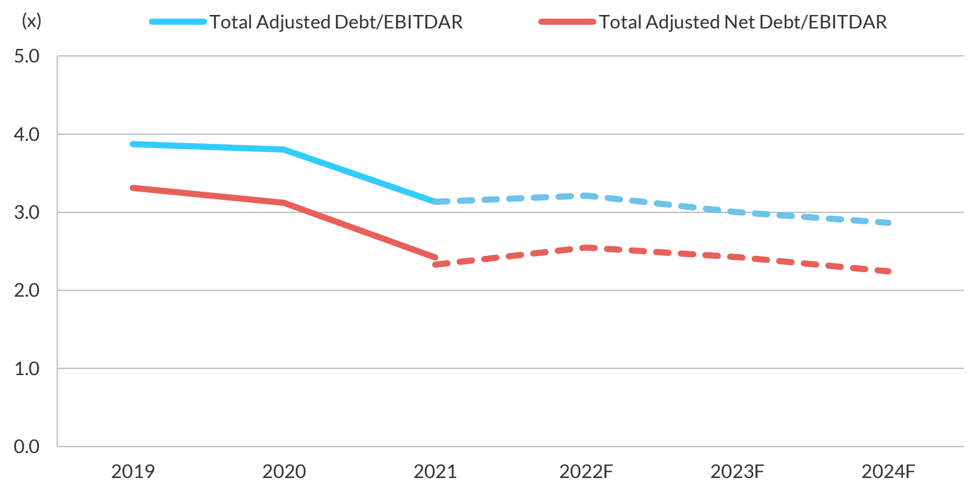

F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Capex Projections




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Leverage




F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Chilean Corporates: Key Statistics

### International Scale

| (USD Mil.) | | | | EBITDAR | | | Cash Flow From Operations | | | EBITDAR Net Leverage (x) | | | 9/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Issuer Name | LT IDR | NLTR | Outlook | 2021 | 9/22 | 2022F | 2021 | 9/22 | 2022F | 2021 | 9/22 | 2022F | Readily Available Cash and Equivalents | Short-Term Debt | Total Adjusted Debt |
| AES Andes S.A. | BBB– | A+(cl) | Stable | 1,075 | 793 | 838 | 155 | 176 | 696 | 1.7 | 2.9 | 2.6 | 167 | 392 | 2,553 |
| Agrosuper S.A. | BBB– | AA–(cl) | Stable | 748 | 714 | 682 | 452 | 385 | 376 | 1.6 | 1.6 | 1.6 | 102 | 99 | 1,241 |
| Antofagasta PLC | BBB+ | N.A. | Stable | 4,391 | — | 2,783 | 3,044 | — | 2,419 | -0.2 | — | 0.1 | — | — | — |
| CAP S.A. | BBB– | AA–(cl) | Stable | 1,743 | 936 | 1,037 | 1,141 | -138 | 472 | 0.0 | 0.8 | 0.2 | 284 | 323 | 863 |
| Celulosa Arauco y Constitucion S.A. | BBB | AA(cl) | Stable | 2,055 | 2,167 | 2,239 | 1,958 | 1,951 | 1,673 | 2 | 2 | 2 | 930 | 332 | 5,541 |
| Cencosud S.A.[a] | BBB | N.A. | Stable | 1,731 | 1,614 | 1,750 | 1,321 | 555 | 949 | 1.8 | 3.2 | 2.2 | 583 | 687 | 4,723 |
| Colbun S.A. | BBB+ | AA(cl) | Stable | 498 | 705 | 599 | 267 | 273 | 439 | 1.8 | 1.3 | 1.6 | 1,077 | 121 | 2,044 |
| Compania Cervecerias Unidas S.A. (CCU) | A– | AA+(cl) | Stable | 560 | 440 | 428 | 377 | 70 | 129 | 0.6 | 1.6 | 1.3 | 673 | 165 | 1,303 |
| Corporacion Nacional del Cobre de Chile (CODELCO) | A– | AAA(cl) | Stable | 10,598 | 7,110 | 8,449 | 4,984 | 4,173 | 5,438 | 1.5 | 2.7 | 1.8 | 1,611 | 365 | 16,889 |
| Embotelladora Andina S.A. | BBB+ | AA+(cl) | Stable | 506 | 524 | 479 | 391 | 427 | 330 | 0.7 | 1.4 | 1.1 | 345 | 36 | 997 |
| Empresa Electrica Cochrane SpA | BBB– | A+(cl) | Stable | 160 | 183 | 163 | 94 | 84 | 128 | 4.9 | 4.3 | 4.4 | 16 | 76 | 793 |
| Empresa Nacional de Telecomunicaciones S.A. | BBB | AA–(cl) | Stable | 866 | 752 | 711 | 464 | 171 | 474 | 2.0 | 2.4 | 2.6 | 446 | 296 | 2,031 |
| Empresa Nacional del Petroleo (ENAP) | A– | AAA(cl) | Stable | 782 | 1,246 | 1,451 | 482 | 635 | 709 | 5.2 | 3.1 | 2.7 | 548 | 745 | 4,537 |
| Empresas CMPC S.A. | BBB | AA(cl) | Stable | 1,652 | 2,059 | 2,065 | 1,059 | 718 | 592 | 2.0 | 1.8 | 2.0 | 667 | 654 | 4,421 |
| Empresas Copec S.A. | BBB | AA(cl) | Stable | 3,263 | 3,538 | 3,397 | 2,521 | 1,625 | 1,651 | 1.9 | 1.9 | 2.2 | 1,658 | 1,253 | 8,267 |
| Enel Americas S.A. | BBB+ | AA+(cl) | Stable | 3,618 | 3,423 | 4,560 | 2,270 | 3,263 | 2,642 | 1.2 | 1.4 | 1.2 | 1,680 | 1,457 | 6,541 |
| Enel Chile S.A. | BBB+ | AA+(cl) | Stable | 680 | 676 | 1,646 | 351 | -116 | 438 | 7.5 | 8.2 | 2.7 | 244 | 2,247 | 5,756 |
| Enel Generacion Chile S.A. | BBB+ | AA+(cl) | Stable | 341 | 346 | 1,223 | 253 | -245 | 1,079 | 3.7 | 3.5 | 0.8 | 24 | 67 | 1,118 |
| Engie Energia Chile S.A. | BBB | AA–(cl) | Stable | 306 | 176 | 225 | 126 | -339 | 153 | 2.8 | 8.1 | 5.7 | 69 | 295 | 1,502 |
| Enjoy S.A. | CCC+ | N.A. | N.A. | 19 | 98 | 36 | -37 | -15 | 68 | 11.9 | 3.0 | 4.3 | 16 | 10 | 266 |
| Falabella S.A.[a] | BBB– | AA–(cl) | Negative | 1,540 | 964 | 1,089 | 200 | -348 | 12 | 2.8 | 4.7 | 4.0 | 704 | 1,097 | 4,592 |
| Forestal, Constructora y Comercial del Pacifico Sur S.A. | BBB | AA(cl) | Stable | 0 | 7 | 67 | 0 | 145 | 58 | 0.0 | 0.4 | 1.5 | 55 | 4 | 111 |
| GNL Quintero S.A. | A– | N.A. | Stable | 197 | 229 | 242 | 124 | 157 | 172 | 3.0 | 2.3 | 2.2 | 383 | 139 | 917 |
| Inversiones CMPC | BBB | AA(cl) | Stable | 1,762 | 2,325 | — | 1,067 | 831 | — | 1.8 | 1.8 | — | 637 | 654 | 4,421 |
| Mercury Chile HoldCo LLC | BB+ | N.A. | Stable | 41 | — | 236 | 0 | — | 225 | 0.0 | — | 1.2 | — | — | — |
| Minera Valparaiso S.A. | BBB | AA(cl) | Stable | 1,151 | 491 | 0 | 416 | 423 | 0 | 1.5 | 1.6 | 0.0 | 1,144 | 130 | 2,250 |
| Molibdenos y Metales S.A. (Molymet) | BBB | AA(cl) | Stable | 196 | 144 | 147 | -304 | 144 | 224 | 2.2 | 1.8 | 2.1 | 191 | 88 | 447 |
| Sociedad de Transmision Austral S.A. | BBB | N.A. | Stable | 78 | — | 87 | 71 | — | 81 | 2.1 | — | 5.4 | — | — | — |
| Telefonica Moviles Chile S.A. | BBB+ | AA(cl) | Negative | 425 | 367 | 389 | 283 | 7 | 345 | 1.3 | 2.4 | 1.6 | 486 | 426 | 1,245 |
| Transelec S.A. | BBB | AA–(cl) | Stable | 323 | 315 | 391 | 490 | 466 | 337 | 6.1 | 6.0 | 4.8 | 353 | 322 | 2,004 |
| VTR Finance N.V. | B | N.A. | RWN | 250 | 152 | 121 | 177 | 35 | 23 | 5.8 | 8.4 | 11.3 | 63 | 95 | 1,187 |
| WOM S.A. | BB– | N.A. | Stable | 178 | 195 | 148 | 127 | 166 | 140 | 5.0 | 2.7 | 3.1 | 517 | 53 | 981 |

[a]Cencosud S.A. and Falabella S.A. exclude banking operations. LT IDR – Long-Term Issuer Default Rating. NLTR – National Long-Term Rating. RWN – Rating Watch Negative. F – Forecast. N.A. – Not applicable.
Note: Ratings are as of Feb. 27, 2022.
Source: Fitch Ratings, Fitch Solutions

# Chilean Corporates: Key Statistics

## National Scale

| (USD Mil.) | | | EBITDAR | | | Cash Flow From Operations | | | EBITDAR Net Leverage (x) | | | 9/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Issuer Name | NLTR | Outlook | 2021 | 9/22 | 2022F | 2021 | 9/22 | 2022F | 2021 | 9/22 | 2022F | Readily Available Cash and Equivalents | Short-Term Debt | Total Adjusted Debt |
| Aguas Andinas S.A. | AA+(cl) | Stable | 344 | 327 | 326 | 303 | 251 | 246 | 3.8 | 3.9 | 3.7 | 169 | 84 | 1,281 |
| Aguas de Antofagasta S.A. | AA–(cl) | Stable | 108 | 94 | 100 | 111 | 97 | 91 | 3.9 | 4.3 | 3.6 | 21 | 37 | 379 |
| Almendral S.A. | AA–(cl) | Stable | 865 | 751 | 817 | 323 | -102 | 546 | 2.4 | 3.8 | 2.1 | 481 | 314 | 2,076 |
| Antarchile S.A. | AA(cl) | Stable | 3,301 | 3,630 | 3,457 | 2,319 | 1,401 | 1,645 | 2.2 | 2.0 | 2.2 | 1,695 | 1,290 | 8,417 |
| Banmedica S.A. | AA(cl) | Stable | 87 | 60 | 83 | 103 | 111 | 61 | 2.6 | 1.5 | 2.5 | 215 | 49 | 294 |
| Besalco S.A. | BBB(cl) | Positive | 94 | 111 | 104 | 68 | 88 | 51 | 4.0 | 3.0 | 3.3 | 81 | 157 | 373 |
| Carozzi S.A. | A+(cl) | Stable | 174 | 194 | 193 | 65 | 1 | 5 | 3.4 | 3.3 | 2.9 | 36 | 142 | 533 |
| CGE Transmision S.A. | AA–(cl) | Negative | — | — | — | — | — | — | — | — | — | — | — | — |
| Chilquinta Distribucion S.A. | AA(cl) | Stable | 46 | 39 | 29 | 42 | 18 | 25 | 3.3 | 4.5 | 5.3 | 17 | 3 | 169 |
| Cintac S.A. | A–(cl) | Stable | 84 | 14 | 56 | 1 | -34 | 33 | 2.7 | 22.2 | 4.4 | 26 | 251 | 345 |
| Compania Electro Metalurgica S.A. | AA–(cl) | Negative | 143 | 148 | 145 | -3 | -53 | 25 | 3.8 | 4.3 | 3.9 | 77 | 301 | 654 |
| Compania General de Electricidad S.A. (CGE) | AA–(cl) | Negative | 164 | 80 | 116 | 183 | -51 | 20 | 4.3 | 12.2 | 7.0 | 34 | 39 | 883 |
| Empresa de Correos de Chile | AA–(cl) | Stable | 17 | -6 | 11 | 11 | 0 | 7 | 1.1 | 0.0 | 1.7 | 25 | 2 | 46 |
| Empresa Nacional de Aeronautica de Chile | AAA(cl) | Stable | 9 | 10 | 11 | 11 | 8 | 6 | 3.8 | 3.3 | 2.8 | 24 | 1 | 56 |
| Empresa Electrica de Magallanes S.A. (Edelmag) | AA(cl) | Stable | 16 | 15 | 15 | 14 | 10 | 11 | 0.7 | 1.3 | 1.5 | 1 | 7 | 18 |
| Empresas Carozzi S.A. | A+(cl) | Stable | 174 | 194.5 | 193 | 90 | 24.1 | 12 | 2.8 | 2.8 | 2.8 | 36 | 138 | 521 |
| Empresas Red Salud S.A. | A(cl) | Positive | 84 | 70 | 69 | 53 | 40 | 39 | 2.2 | 3.0 | 2.8 | 16 | 35 | 204 |
| Enaex S.A. | AA(cl) | Stable | 203 | 279 | 250 | 52 | 108 | 116 | 1.4 | 1.0 | 1.2 | 163 | 155 | 441 |
| Fondo de Inversion Banchile Rentas Inmobiliarias | A(cl) | Stable | 9 | 17 | 4 | -13 | -11 | 11 | -1.7 | -0.9 | 6.5 | 31 | 16 | 16 |
| Fondo de Inversion Independencia Rentas Inmobiliarias | AA–(cl) | Stable | 20 | 36 | 34 | 108 | 42 | 62 | 2.6 | 4.2 | 4.2 | 8 | 0 | 248 |
| Empresas Gasco S.A. | A+(cl) | Stable | 77 | 58 | 83 | 64 | 27 | 31 | 1.0 | 2.9 | -0.6 | 44 | 18 | 194 |
| Grupo Empresas Navieras S.A | A(cl) | Stable | 145 | 163 | 166 | 101 | 87 | 101 | 2.7 | 2.3 | 2.2 | 152 | 131 | 550 |
| GTD Grupo Teleductos S.A. | A+(cl) | Stable | 160 | 146 | 152 | 150 | 132 | 115 | 3.5 | 3.7 | 3.3 | 7 | 87 | 481 |
| Instituto de Diagnostico S.A. | A+(cl) | Negative | 35 | 26 | 23 | 15 | 20 | 6 | 2.4 | 3.4 | 3.9 | 10 | 23 | 97 |
| Inversiones Aguas Metropolitanas S.A. (IAM) | AA+(cl) | Stable | 342 | 326 | 326 | 229 | 202 | 199 | 4.8 | 4.6 | 4.3 | 170 | 84 | 1,281 |
| LATAM Airlines Group S.A. | BBB–(cl) | Stable | 46 | 1,004 | 820 | -383 | -6 | -263 | 202.7 | 10.7 | 7.2 | 897 | 5,538 | 11,662 |
| Masisa S.A. | A–(cl) | Stable | 72 | 117 | 119 | 50 | 68 | 88 | 1.1 | 0.7 | 0.7 | 51 | 53 | 128 |
| Quinenco S.A.[a] | AA(cl) | Stable | 329 | 331 | — | 533 | 1,655 | — | 3.5 | 1.2 | — | 744 | 526 | 2,747 |
| SalfaCorp S.A. | BBB–(cl) | Stable | 70 | 84 | 53 | 108 | 58 | 59 | 5.4 | 5.5 | 6.1 | 58 | 245 | 510 |
| Sigdo Koppers S.A. | AA–(cl) | Stable | 392 | 435 | 486 | 125 | 73 | 145 | 2.2 | 2.1 | 2.0 | 338 | 436 | 1,292 |
| Sociedad Anonima Vina Santa Rita (Santa Rita) | A+(cl) | Negative | 23 | 22 | 27 | 10 | -4 | 16 | 5.4 | 5.8 | 3.9 | 0 | 46 | 122 |
| Sociedad Quimica y Minera de Chile S.A. (SQM) | AA(cl) | Stable | 1,123 | 4,670 | 3,957 | 814 | 3,341 | 2,785 | 0.2 | -0.1 | 0.1 | 3,763 | 381 | 2,576 |
| Sodimac S.A. | AA–(cl) | Negative | 576 | 329 | 369 | -27 | -339 | 143 | 1.3 | 2.4 | 1.6 | 13 | 9 | 63 |
| Sonda S.A. | AA–(cl) | Stable | 134 | 122 | 128 | 95 | 63 | 59 | 0.7 | 1.0 | -1.4 | 166 | 95 | 273 |
| Telefonica Chile S.A. | AA(cl) | Negative | 229 | 149 | — | 85 | -116 | — | 0.6 | 1.8 | — | 44 | 278 | 278 |
| Vina San Pedro Tarapaca S.A. | AA–(cl) | Stable | 57 | 54 | 53 | 24 | 8 | 26 | 0.5 | 1.1 | 0.6 | 6 | 3 | 59 |

[a]Quinenco S.A. excludes banking operations. NLTR – National Long-Term Rating. F – Forecast. N.A. – Not applicable. Note: Ratings are as of Feb. 27, 2022.
Source: Fitch Ratings, Fitch Solutions.

## Related Research

Latin American Corporates Spotlight Series: Chile (Low Refinancing Risk, Manageable Amortizations) (February 2023)

What Investors Want to Know: Chile (Prolonged Political Uncertainty Amid Constitutional Process Weighs on the Outlook) (January 2023)

## Analysts


**Rina Jarufe**
+56 2 2499-3310
rina.jarufe@fitchratings.com


**Tomás Honorato**
+56 2 2499-3314
tomas.honorato@fitchratings.com

# Colombian Corporate Credit Indicators: Fourth-Quarter 2022

## Uncertainty in Adverse Economic Conditions

**Economic Slowdown in 2023:** Fitch Ratings forecasts a sharp slowdown in Colombia's (BB+/Stable) GDP to 1.1% in 2023, after 11.0% in 2021 and 7.5% in 2022, supported by robust consumption. Economic growth faces headwinds from monetary policy tightening to control high inflation of 13.2% in 2022, Colombian peso depreciation and rising costs for businesses and consumers. Unfavorable external conditions and tax policies are expected to reduce demand and consumption.

**Downgrades Stabilize:** The Colombian international rating portfolio was stable, with two upgrades and no downgrades in 2022 and five upgrades and one downgrade in the national rating portfolio. This is a remarkable turnaround from the 10 downgrades and one upgrade in the international portfolio in 2021 and two downgrades and three upgrades in the national portfolio caused by the downgrade of the sovereign in 2021.

**Energy Supply/Demand Imbalance:** The Colombian energy sector faces supply/demand imbalances, reducing the system's reliability margin and pushing energy spot prices upward. Delays in generation and transmission projects, due to difficulties in gaining support from local communities and approvals of environmental licenses, are pushing back projects necessary to meet forecast future demand. The La Colectora transmission project, critical to transmit energy from non-conventional projects, will not go online before 2026 and delays in the Hidroituango project will restrict generation supply.

**Rising Leverage:** Fitch expects median debt/EBITDA of 3.2x and net debt/EBITDA of 2.8x in 2023 for the rated portfolio. Revenue is forecast at below inflation in 2023, reflecting lower oil prices and tariffs adjustments for regulated businesses from lower expected inflation. Fewer inflationary pressures could favor EBITDA and operating cash flow due to working capital needs.

Cash flow from operations (CFFO) is forecast to grow at low double digits in 2023. Larger dividend payments are expected in 2023, especially from Ecopetrol S.A. (BB+/Stable), independent oil companies and regulated businesses benefitting from increased demand and higher prices in 2022. Moderate increases in capex compared with 2022 should result in neutral to slightly positive FCF.

**Healthy Liquidity:** Colombian corporates hold adequate liquidity, supported by higher cash on hand and low short-term debt with median short-term debt/total debt at 10%. Since the pandemic, companies are holding cash on hand of around half a turn of EBITDA. Median liquidity, measured as cash/short-term debt, is projected at 1.3x in 2023, while cash plus CFFO/short-term debt is expected at 5.0x in 2023. Higher funding costs are forecast to result in a decline in average interest coverage to 5.3x in 2023 and 5.5.x in 2024 from historical levels close to 7.0x. High funding costs are expected in 2023 and 2024, given inflation, spreads and tighter regulatory requirements for banks.

**Significant Debt Maturities:** Colombian corporates face large maturities in 2023–2024, reaching an aggregate of USD11.7 billion, of which USD7.9 billion is bank debt, USD1.5 billion is local bonds, and USD2.3 billion is international bonds. Banking system liquidity supports corporate funding, as most issuers prefunded cash needs for 2023 and are working on a funding strategy for 2024.

International capital markets are open for Colombian corporates, as Ecopetrol tapped the market in January 2023 with a USD2.0 billion 8.875% bond. Fitch is concerned about the lack of activity in the local market since 2H22. Investors are waiting for the final outcome of policy proposals, while companies seek more favorable market conditions and are opting for short- to medium-term debt.

"Colombian corporates are challenged with an unfavorable and uncertain business environment. Rising inflation, monetary policy tightening and Colombian peso depreciation are headwinds for growth. Corporates are maintaining defensive positions in a wait and see approach."

Natalia O'Byrne Cuellar, Senior Director

**Uneasy Business Environment:** Business conditions are generally unfavorable in Colombia, as uncertainty surrounding the future path of the government's policies has made consumers and corporates cautious. The government's aggressive agenda is contributing to uneasiness as shown in a poor business confidence index of –1.2% and a consumer confidence index of –22.3% for 2022. Challenging macroeconomic conditions, persistent inflation, a volatile Colombian peso, financial costs and monetary policy tightening are compounding the problem. Companies are reviewing investment strategies, waiting for more favorable macro conditions and clarity in government plans.

Mixed messages between President Gustavo Petro and some members of his cabinet, especially in the mining and energy sector, are especially troublesome and are not conducive to investment. Efforts by President Petro to accelerate energy transition along with his decision to temporarily assume control of utility regulatory bodies during an imbalance between supply and demand sends a negative message to investors considering participating in a new energy expansion auction scheduled for August 2023.

**What to Watch:** The final outcome of several proposals under discussion could contribute to a more positive business environment. The government is seeking to revise the public health system, accelerate energy transition, control energy prices and intervene in public utility regulatory bodies.

The government wants to change the pension system and labor policies. This may generate upward pressure on labor costs and affect pension funds' role as a major actor in local capital markets. Mid-term elections scheduled for 4Q23 add uncertainty to the political and economic landscape. Once businesses can access these changes, progress can be made on business decisions.

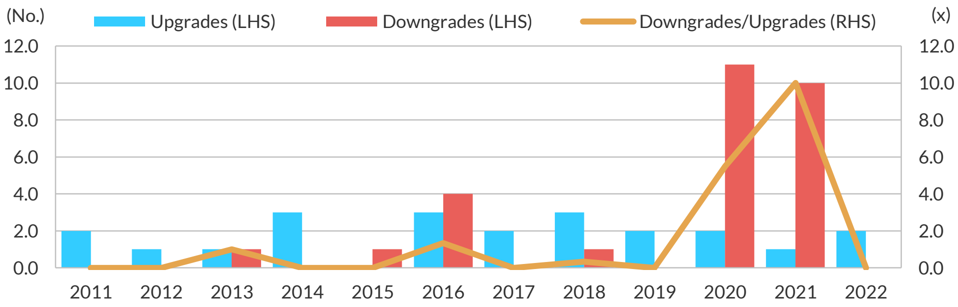
### Colombian Corporates: Key Economic Indicators

| | Historical | | | Forecast | |
|---|---|---|---|---|---|
| (%) | 2020 | 2021 | 2022 | 2023 | 2024 |
| Real GDP Growth | (6.8) | 10.6 | 7.5 | 1.1 | 2.8 |
| Unemployment Rate (Year End) | 15.6 | 14.6 | 10.3 | 12.0 | 11.5 |
| Consumer Prices (Average Variation) | 2.5 | 3.5 | 10.1 | 8.0 | 4.0 |
| Interest Rates (Bank Policy Annual Average) | 2.87 | 1.91 | 7.2 | 11.0 | 6.0 |
| Exchange Rate (COP/USD) (Annual Average) | 3,695 | 3,743 | 4,255 | 4,500 | 4,500 |
| General Government Balance (% GDP) | (7.2) | (7.1) | (6.7) | (4.5) | (4.0) |
| Gross General Government Debt (% GDP) | 58.3 | 58.5 | 60.1 | 60.7 | 61.2 |

Note: Data from DANE, Banco de la Republica and Fitch's Sovereign Data Comparator for December 2022.
Source: Fitch Ratings, Fitch Solutions

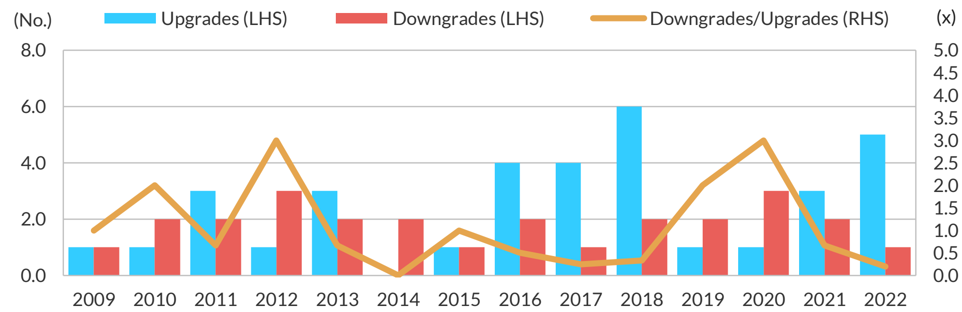
# Colombian Corporates: Rating Portfolio

## Downgrades and Upgrades: International Scale
(As of Dec. 31, 2022)



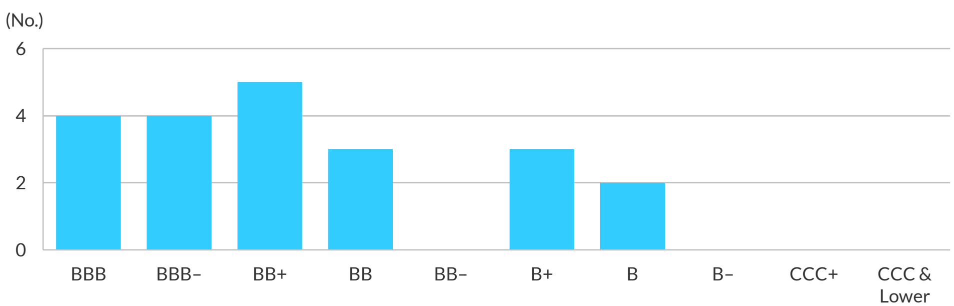

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

## Downgrades and Upgrades: National Scale
(As of Dec. 31, 2022)



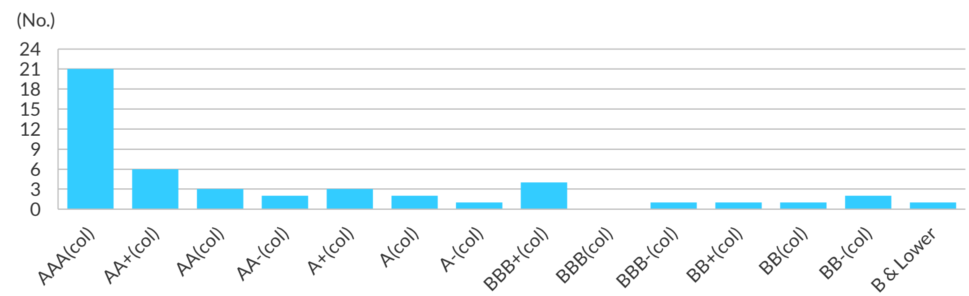

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

## Colombian Corporate Ratings Distribution: International Scale
(As of Dec. 31 2022)



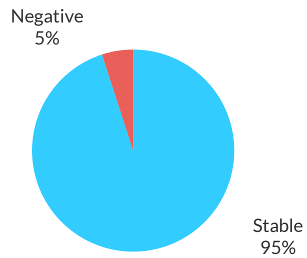

Source: Fitch Ratings

## Colombian Corporate Ratings Distribution: National Scale
(As of Dec. 31, 2022)



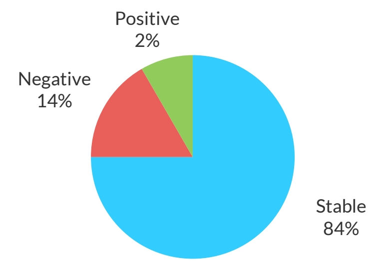

Source: Fitch Ratings

## Ratings Outlook/Watch: International Scale
(As of Dec. 31, 2022)




Source: Fitch Ratings

## Ratings Outlook/Watch: National Scale
(As of Dec. 31, 2022)




Source: Fitch Ratings

# Colombian Corporates: Sector Risks Profile

## Key Risks for Colombian Corporates in 2023

- The mid-term electoral cycle may result in political uncertainty and lower public investment
- Declining profitability margins pressured by rising costs, coupled with high exchange rates
- Higher financial costs and lower private investment activity
- FX depreciation and inflationary pressures
- High unemployment and lower available income
- Available bank liquidity with incremental interest rates and spreads. Halt of local bond market

Source: Fitch Ratings, Fitch Solutions

## Key Risks: Issuer Portfolio

| International Ratings | ESG Risk | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| A.I. Candelaria (Spain), S.A. | Green | Green | Yellow | Green | Green | Green |
| Canacol Energy Ltd. | Yellow | Yellow | Yellow | Green | Green | Green |
| Colombia Telecomunicaciones S.A. E.S.P. | Green | Red | – | – | Yellow | Yellow |
| Ecopetrol S.A. | Yellow | Yellow | Yellow | Green | Yellow | Green |
| Emgesa S.A. E.S.P. | Green | Green | – | – | Green | Green |
| Empresa de Telecomunicaciones de Bogota, S.A., E.S.P. | Green | Red | – | – | Green | Green |
| Empresas Publicas de Medellin E.S.P. (EPM) | Yellow | Green | – | Yellow | Yellow | Yellow |
| Frontera Energy Corporation | Green | Yellow | Red | Yellow | Green | Green |
| GCM Mining Corp. | Yellow | Green | Red | – | Yellow | Yellow |
| Geo Park Limited | Green | Yellow | Red | Yellow | Yellow | Yellow |
| Gran Tierra Energy International Holdings Ltd. | Green | Yellow | Red | Yellow | Yellow | Yellow |
| Grupo de Inversiones Suramericana S.A. | Green | Yellow | Yellow | Yellow | Yellow | Yellow |
| Grupo Energia Bogota S.A. E.S.P. (GEB) | Green | Green | – | Yellow | Yellow | Yellow |
| Interconexion Electrica S.A. E.S.P. | Green | Green | – | Yellow | Yellow | Green |
| Oleoducto Central S.A. (OCENSA) | Green | Green | Green | Yellow | Green | Yellow |

| National Ratings | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk |
|---|---|---|---|---|---|
| Acueducto Metropolitano de Bucaramanga S.A. E.S.P. | Yellow | – | – | Yellow | Green |
| Aguas de Cartagena S.A. E.S.P. | Yellow | – | – | Yellow | Green |
| Aguas de Manizales S.A. E.S.P. | Yellow | – | Yellow | Yellow | Yellow |
| Aguas Regionales EPM S.A. E.S.P. | Yellow | – | Yellow | Red | Yellow |
| Aguas Nacionales S.A. E.S.P. | Green | – | Green | Green | Yellow |
| Alpina Productos Alimenticios S.A. BIC | Red | Yellow | Yellow | Green | Green |
| Arquitectura & Concreto S.A. | Red | – | – | Red | Green |
| Caribemar de la Costa S.A. | Red | | | Green | Red |
| Celsia Colombia S.A. E.S.P. | Yellow | Yellow | Yellow | Yellow | Yellow |
| Cementos Argos S.A. | Yellow | Red | Yellow | Yellow | Yellow |
| Central Hidroelectrica de Caldas S.A.E.S.P. | Yellow | – | – | Green | Green |
| Centrales Electricas del Norte de Santander S.A. E.S.P. | Yellow | – | – | Green | Green |
| Colombina S.A. | Red | Red | Yellow | Red | Yellow |
| Compania de Servicios Publicos de Sogamoso S.A. E.S.P. | Yellow | – | – | Yellow | Yellow |
| Compania Energetica de Occidente S.A.S. E.S.P. | Red | – | – | Green | Green |

## Key Risks: Issuer Portfolio

| International Ratings | ESG Risk | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Promigas S.A. E.S.P. | Yellow | Yellow | — | Green | Yellow | Yellow |
| SierraCol Energy Limited | Green | Yellow | Red | — | Yellow | Yellow |
| TermoCandelaria Power, S.A. | Green | Yellow | Yellow | Yellow | Green | Red |
| Transportadora de Gas Internacional S.A. ESP (TGI) | Green | Green | — | Yellow | Yellow | Yellow |
| UNE EPM Telecomunicaciones S.A. | Green | Red | — | Green | Yellow | Green |

| National Ratings | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk |
|---|---|---|---|---|---|
| Electrificadora de Meta S.A. E.S.P. | Green | — | — | Red | Green |
| Empresa Electrificadora de Santander S.A. E.S.P. | Yellow | — | — | Green | Green |
| Empresa de Acueducto y Alcantarillado de Bogota E.S.P. EAAB | Yellow | — | — | Green | Green |
| Empresa de Acueducto y Alcantarillado de Pereira S.A.S. ESP | Yellow | — | Yellow | Yellow | Green |
| Empresa de Acueducto y Alcantarillado de Villavicencio E.S.P. — EICE | Yellow | — | — | Yellow | Yellow |
| Empresa de Energía de Arauca S.A. | Yellow | | | Red | Red |
| Empresa de Energia del Quindio S.A. E.S.P. | Yellow | — | — | Green | Green |
| Empresa de Generacion y Promocion de Energia de Antioquia S.A. E.S.P. | Yellow | — | — | Green | Red |
| Empresa de Servicios Publicos de Pitalito E.S.P. | Yellow | — | — | Red | Red |
| Empresa Ibaguerena de Acueducto y Alcantarillado IBAL S.A. E.S.P. | Yellow | — | — | Yellow | Yellow |
| Empresas Varias de Medellin S.A. E.S.P. | Yellow | — | — | Yellow | Yellow |
| Enviaseo E.S.P. | Yellow | — | — | Green | Green |
| Gases de Occidente S.A. E.S.P. | Yellow | Yellow | — | Yellow | Green |
| Gases Del Caribe S.A. | Yellow | Yellow | — | Yellow | Yellow |
| Grupo Argos S.A. | Yellow | — | — | Yellow | Yellow |
| Industria Ambiental S.A.S. (Atica) | Red | Yellow | Yellow | Yellow | Yellow |
| Industria Licorera de Caldas | Red | — | — | Green | Green |
| Odinsa S.A. | Red | — | Yellow | Red | Yellow |
| Organizacion Terpel S.A. | Red | Yellow | — | Yellow | Yellow |
| Primax Colombia S.A. | Red | Yellow | — | Yellow | Yellow |
| Procafecol S.A. | Red | Yellow | — | Red | Yellow |
| Prodesa S.A. | Red | — | — | Red | Yellow |
| Promioriente S.A. E.S.P. | Yellow | — | — | Yellow | Yellow |

## Key Risks: Issuer Portfolio

| International Ratings | ESG Risk | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk | National Ratings | Macroeconomic Exposure | Low Commodity Prices | FX Valuation | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Puerta de Oro Empresa de Desarrollo del Caribe S.A.S. | 🔴 | – | – | 🔴 | 🔴 |
| | | | | | | | Riopaila Castilla S.A. | 🔴 | 🔴 | 🟡 | 🟡 | 🔴 |
| | | | | | | | Sociedad de Acueductos y Alcantarillado del Valle del Cauca S.A. E.S.P. ACUAVALLE | 🟡 | – | – | 🟡 | 🟡 |
| | | | | | | | Surtidora de Gas del Caribe S.A. E.S.P. - Surtigas S.A. E.S.P. | 🟡 | – | – | 🟡 | 🟡 |
| | | | | | | | Transelca S.A. E.S.P. | 🟡 | – | – | 🟢 | 🟢 |
| | | | | | | | Vanti S.A. E.S.P. | 🟡 | 🟡 | – | 🟢 | 🟢 |

| | |
|---|---|
| **Low Risk** | 🟢 |
| **Medium Risk** | 🟡 |
| **High Risk** | 🔴 |

ESG – Environmental, social and governance
Source: Fitch Ratings, Fitch Solutions

# Colombian Corporates: Sector Risks Profile

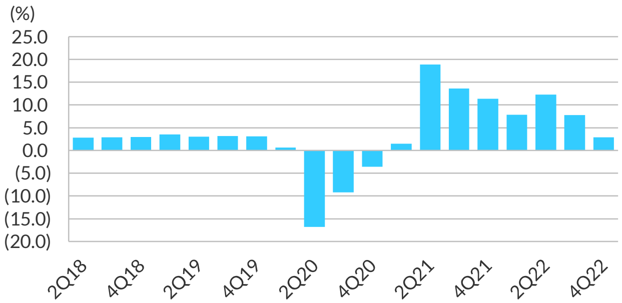
## Colombian Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | National Scale | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Power | 30.0 | 29.6 | ↓ | High | The sector is waiting for the final outcome of the government's decision to resume the functions of regulatory entities and control energy prices. The government launched a new expansion auction to incorporate new capacity and attend to expected demand growth in 2027. Delays in the commissioning of transmission and non-conventional renewable energy projects are pressuring prices upward in an environment of growing energy demand. The rainy season favors energy generation and reliability of the electricity system. |
| Natural Gas & Propane (Utilities) | 10.0 | 9.3 | → | High | Gas transporters have robust credit profiles and medium business risk, providing headroom to withstand expected reductions in return rates on investments and tariff pesification for Transportadora de Gas Internacional S.A. E.S.P. (TGI). Distributors will continue to show robust and stable cash flows supported by regulated tariffs and low exposure to supply and volume risks. |
| Food, Beverage & Tobacco | 0.0 | 7.4 | ↓ | Medium | Local and international inflationary pressures, due to disruptions in supply chains and higher demand, pressure high cost structures and limit companies in passing on price increases to consumers. This may constrain operating margins. Sugar companies benefited from higher international sugar prices and FX depreciation. |
| Building Materials & Construction | 0.0 | 9.3 | ↓ | Medium | Pressure on profitability margins are affected by persistent inflation on supplies. Increases in interest rates are undermining consumer purchasing power weakening pricing strategies and demand. |
| Oil & Gas/Chemicals | 35.0 | 9.3 | → | Medium | Operating cash flows benefited from increased oil prices coupled with Colombian peso depreciation. Prices could experience some pressure from crude inventories. Companies are expected to resume investment to replenish reserves. Liquidity improved materially as debt capital markets and lines of credit were accessed. |
| Media & Telecommunications | 15.0 | 3.7 | → | High | The prevailing competitive landscape pressures ARPUs and increases customer acquisition costs, which constrains expected revenue and EBITDA growth, despite services growing in demand. |
| Water Utilities & Environmental Services | 0.00 | 24.1 | → | Medium | The sector is waiting for the final outcome of the government's decision to resume the functions of regulatory entities. There is acceleration of investment plans, due to under execution of investments in prior years. Cash flow recovery is supported by tariff adjustments and an increase in collections after accounts receivable relief was granted during the pandemic. |
| Diversified Services | 5.0 | 3.7 | — | Medium | — |
| Other | 5.0 | 3.7 | — | — | — |

↓ = Negative Outlook. → = Stable Outlook. ↑ = Positive Outlook.
Source: Fitch Ratings, Fitch Solutions

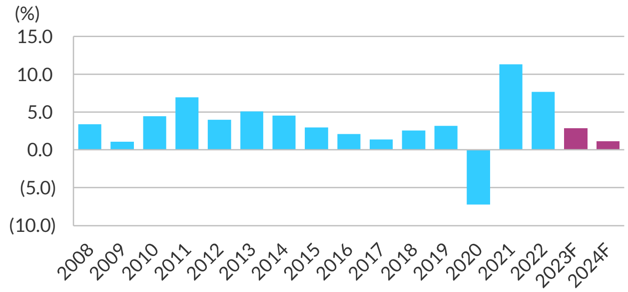
# Colombian Corporates: Key Macro Variables

## Colombian Real Quarterly GDP Growth




Source: Departamento Nacional de Estadistica

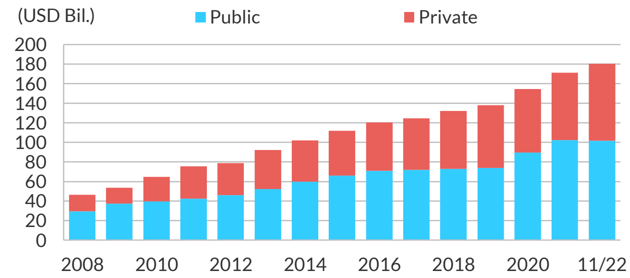
## Colombian Real Yearly GDP Growth




F – Forecast
Source: Departamento Nacional de Estadistica

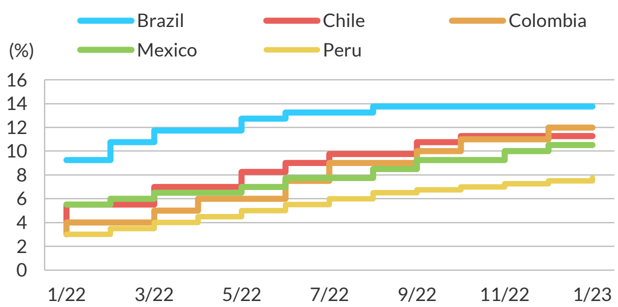
## External Debt by Sector

(As of Nov. 30, 2022)



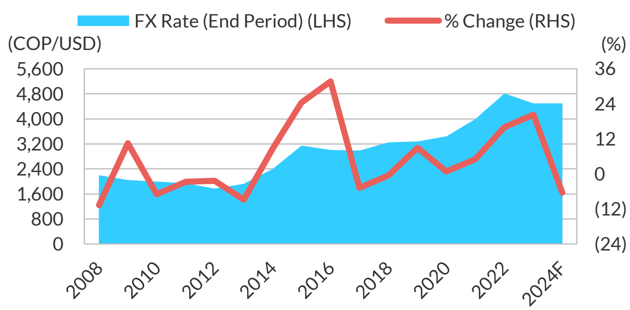

Source: Banco de la Republica

## Central Bank Rates by Country



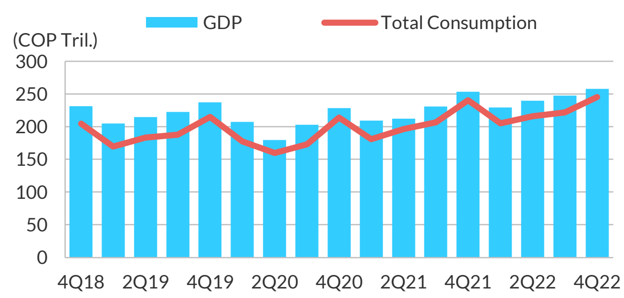

Source: Fitch Ratings, Fitch Solutions

## FX Rate



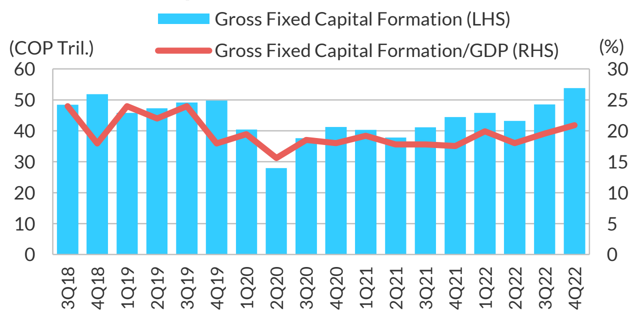

F – Forecast
Source: Fitch Ratings, Fitch Solutions

## GDP and Total Consumption



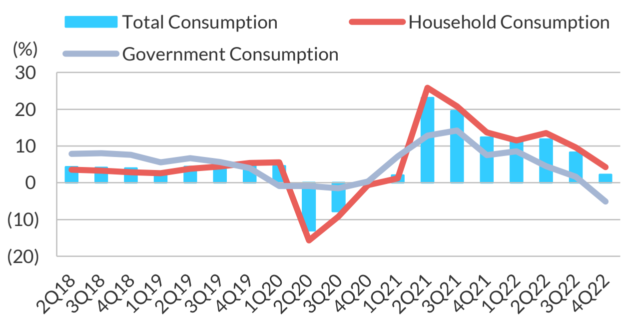

Source: Departamento Nacional de Estadistica

## Gross Fixed Capital Formation



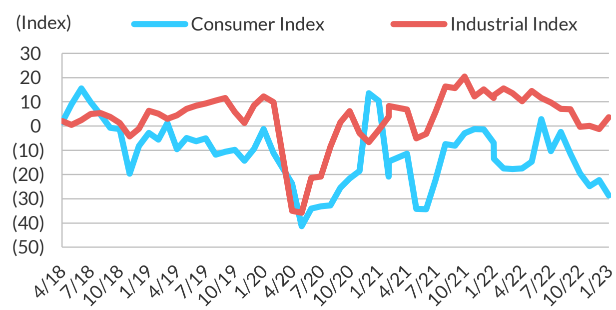

Source: Departamento Nacional de Estadistica

## Colombian Consumption Trends




Source: Departamento Nacional de Estadistica

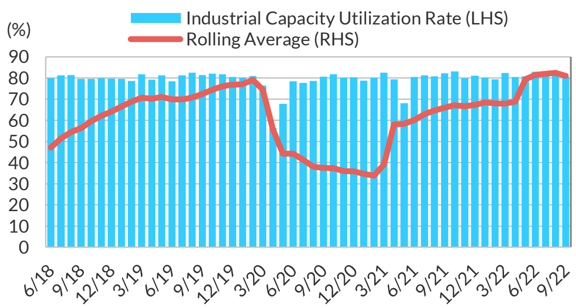
## Confidence Indicators




Source: Fedesarrollo Centro de Investigacion Economica y Social

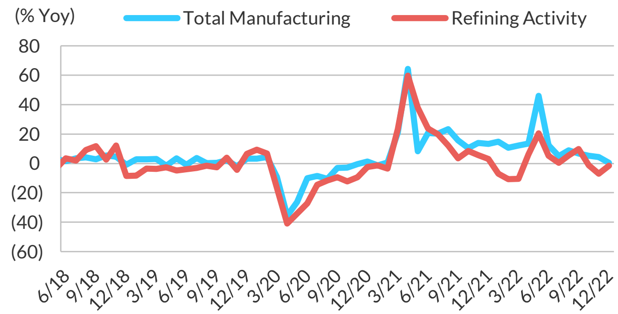
# Colombian Corporates: Key Macro Variables

## Industrial Capacity Utilization Rate



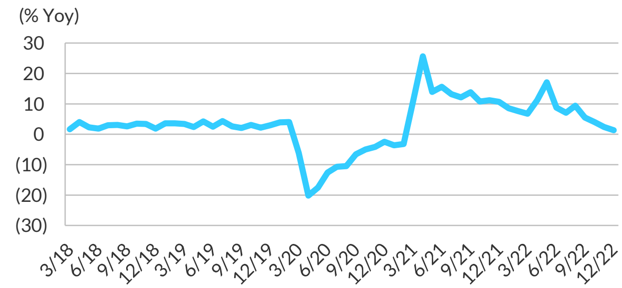

Source: Asociacion Nacional de Industriales

## Industrial Index




Source: Departamento Nacional de Estadistica

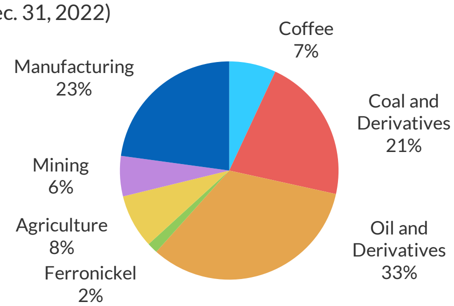
## Economic Monitoring Index




Note: Base 2015=100
Source: Departamento Nacional de Estadistica

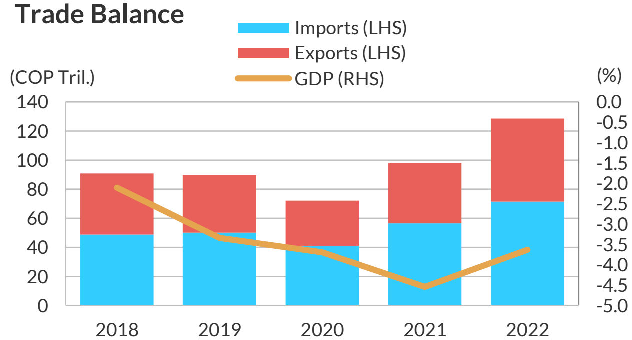
## Exports Group Contribution by Free on Board

(As of Dec. 31, 2022)



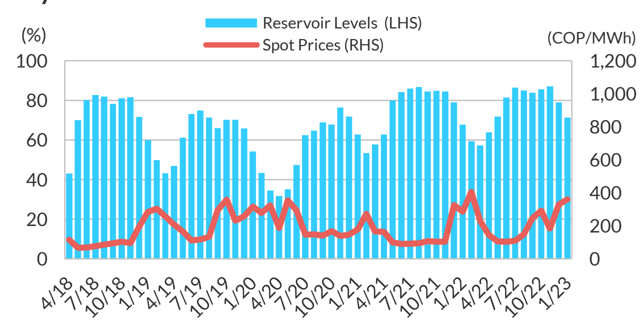

Source: Banco de la Republica and Departamento Nacional de Estadistica.

## Trade Balance



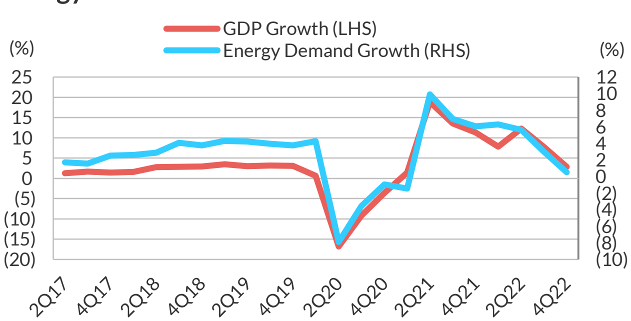

Source: Banco de la Republica and Departamento Nacional de Estadistica.

## Hydroelectric Reservoir Vs. Power Prices




Source: XM S.A.

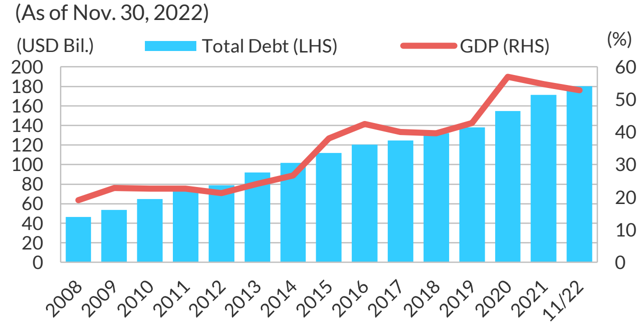
## Energy Demand Growth Versus GDP Growth




Source: XM S.A.

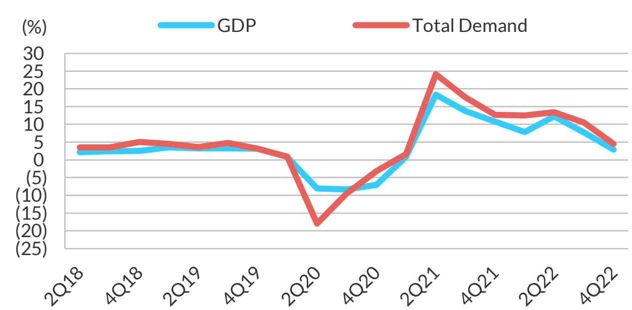
## External Debt Balance Versus GDP

(As of Nov. 30, 2022)




Source: Banco de la Republica.

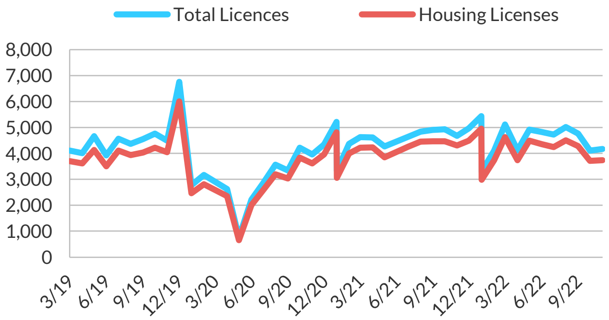
## GDP and Total Demand




Source: Departamento Nacional de Estadistica.

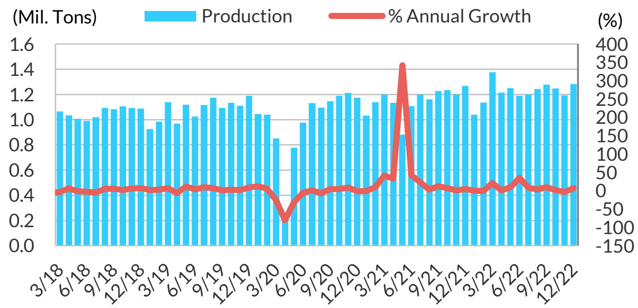
## Colombian Corporates: Key Macro Variables

### Construction Licenses



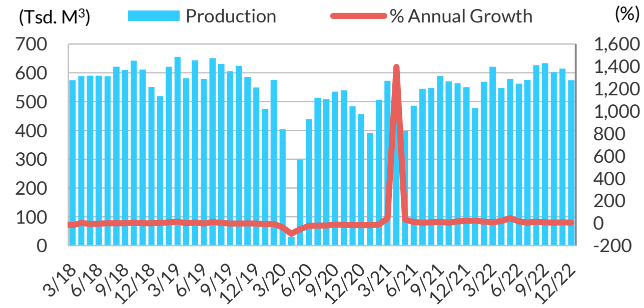

Source: Departamento Nacional de Estadistica

### Cement Production



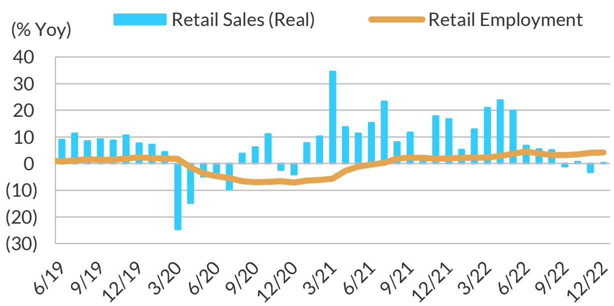

Source: Departamento Nacional de Estadistica

### Ready Mix Production



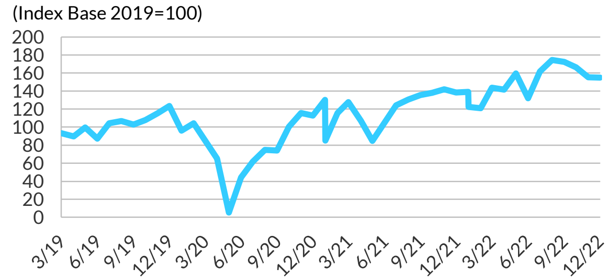

Source: Departamento Nacional de Estadistica

### Retail Sales



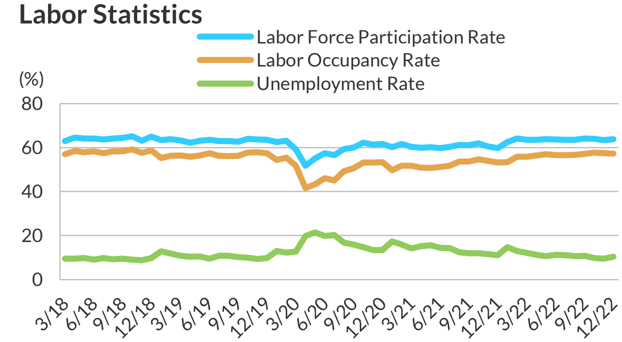

Source: Departamento Nacional de Estadística

### Vehicle Sales Index




Source: Departamento Nacional de Estadistica, Federacion Nacional de Comerciantes

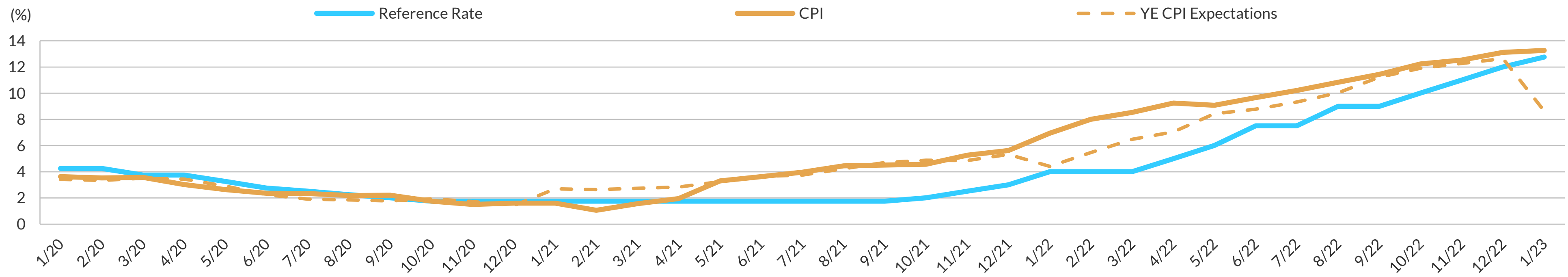
### Labor Statistics




Source: Departamento Nacional de Estadistica

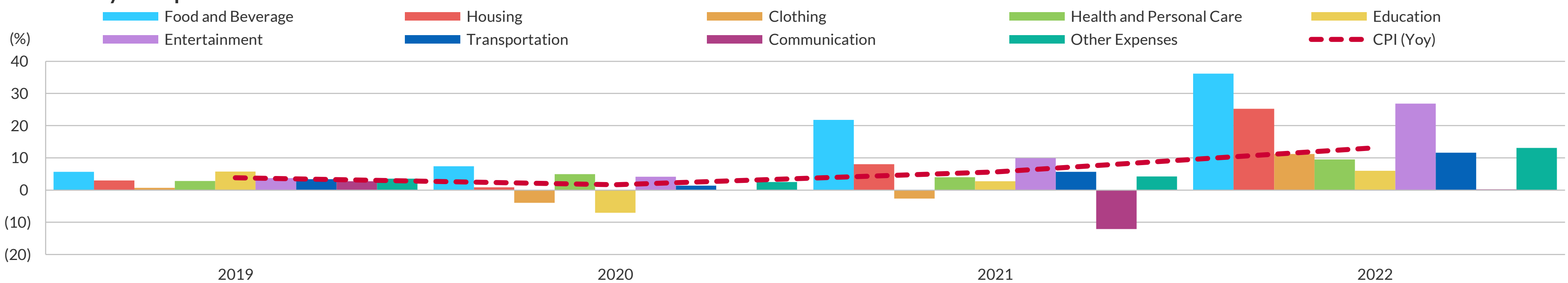
# Colombian Corporates: Inflation

## Inflation and Interest Rates




Source: Banco de la Republica, Departamento Nacional de Estadistica

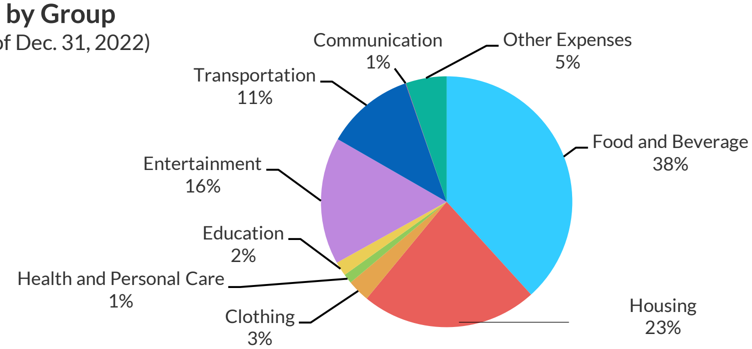
## Inflation by Group




Source: Departamento Nacional de Estadistica

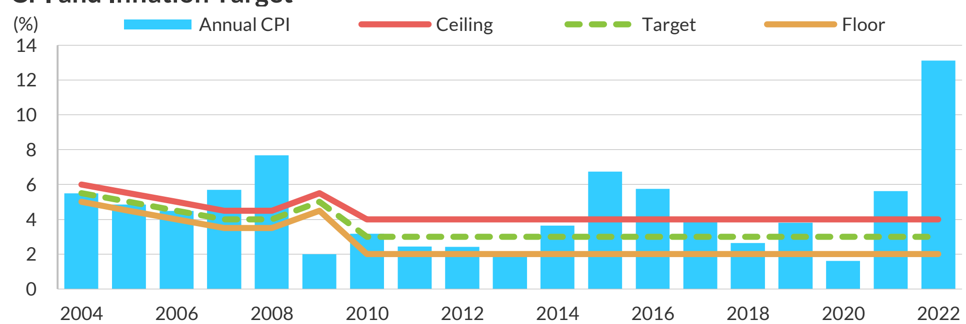
## CPI by Group

(As of Dec. 31, 2022)




Source: Departmento Nacional de Estadistica

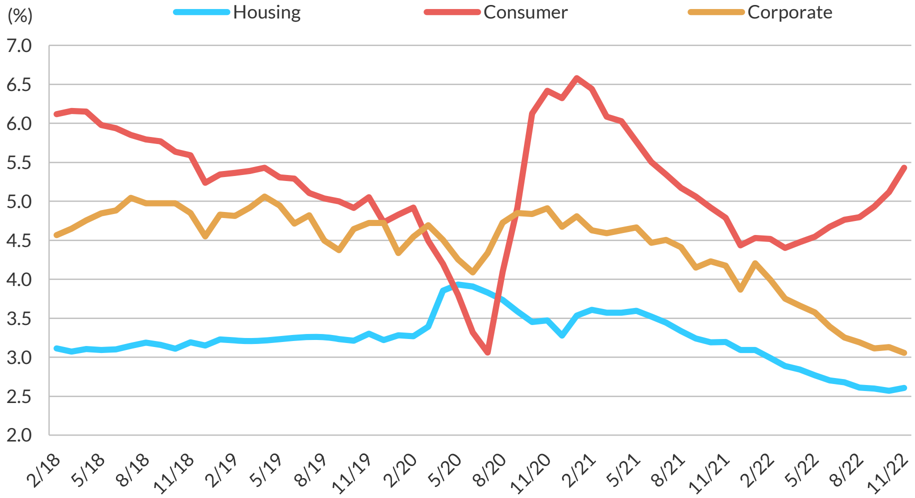
## CPI and Inflation Target




Source: Banco de la Republica, Departamento Nacional de Estadistica

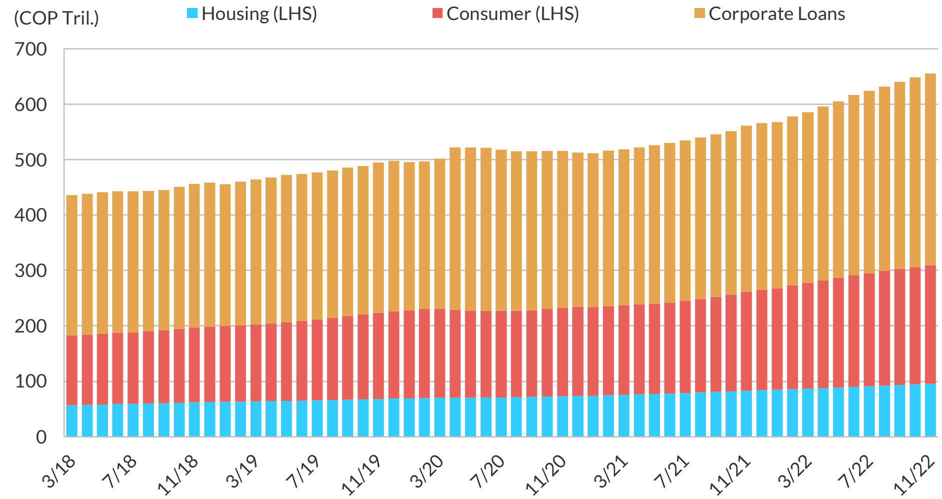
## Colombian Corporates: Credit Overview

### Portfolio Delinquency Rate



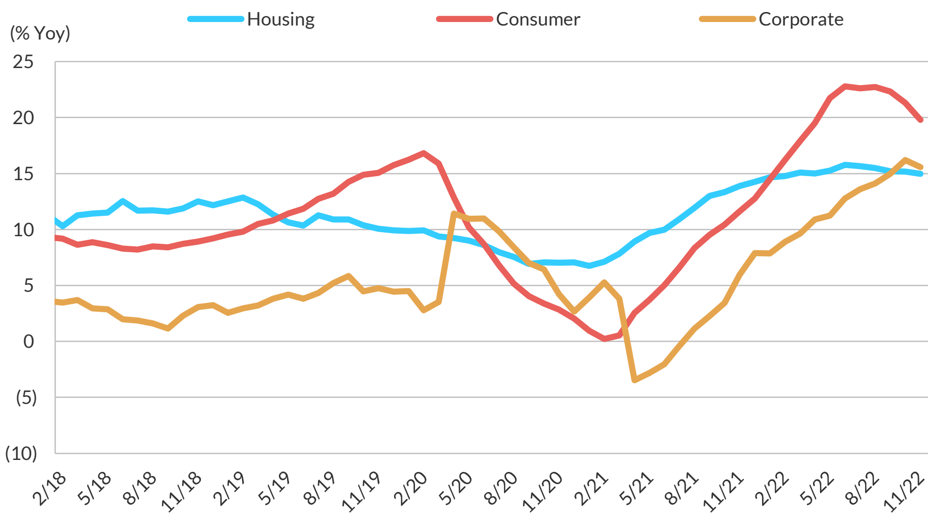

Source: Superintendencia Financiera

### Banks Loans Portfolio



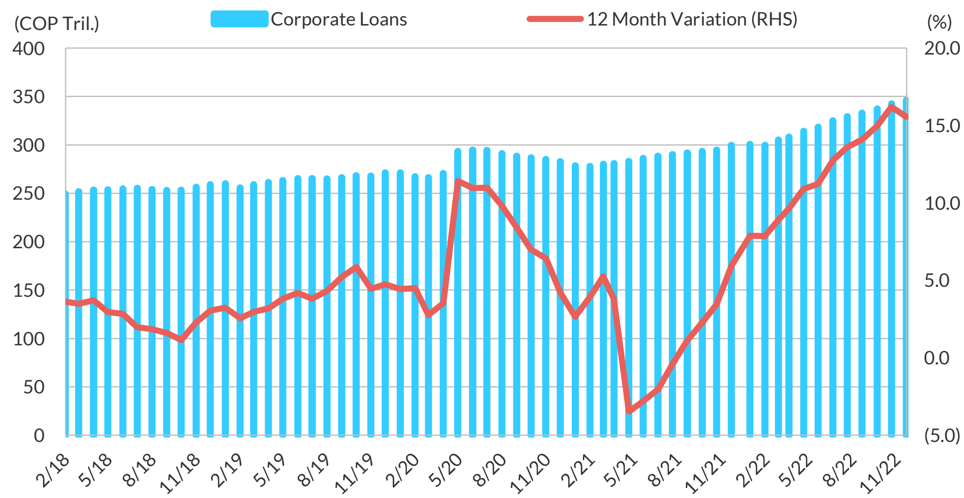

Source: Superintendencia Financiera

### Banks Loans Portfolio




Source: Superintendencia Financiera

### Corporate and Commercial Lending

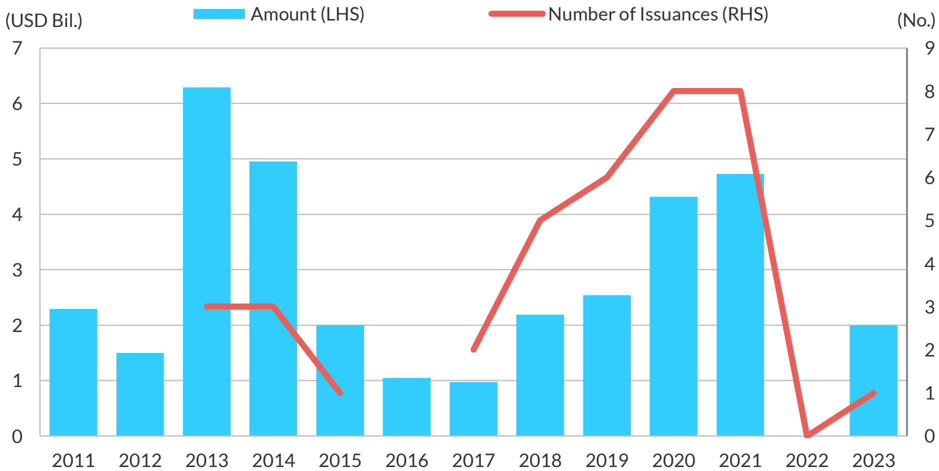



Source: Superintendencia Financiera

# Colombian Corporates: Credit Overview

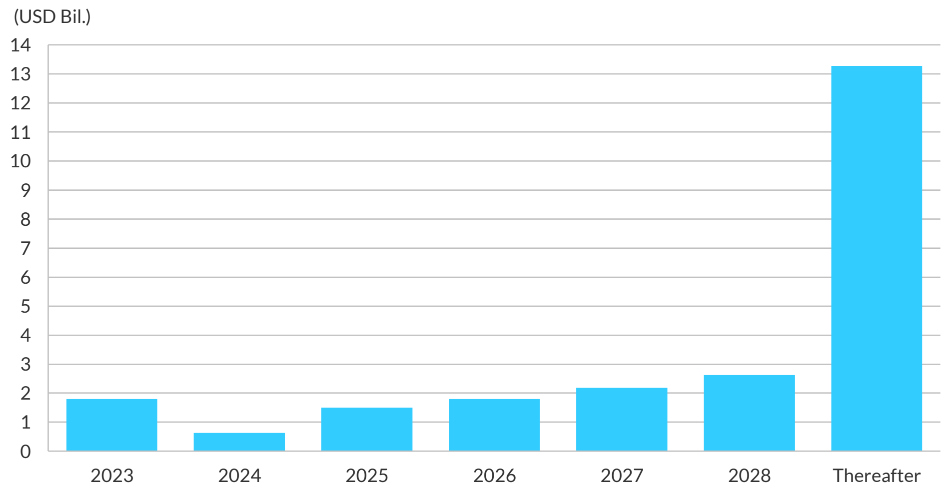
### Cross-Border Issuances: Fitch Portfolio

(As of Jan. 31, 2023)




Source: Fitch Ratings, Fitch Solutions

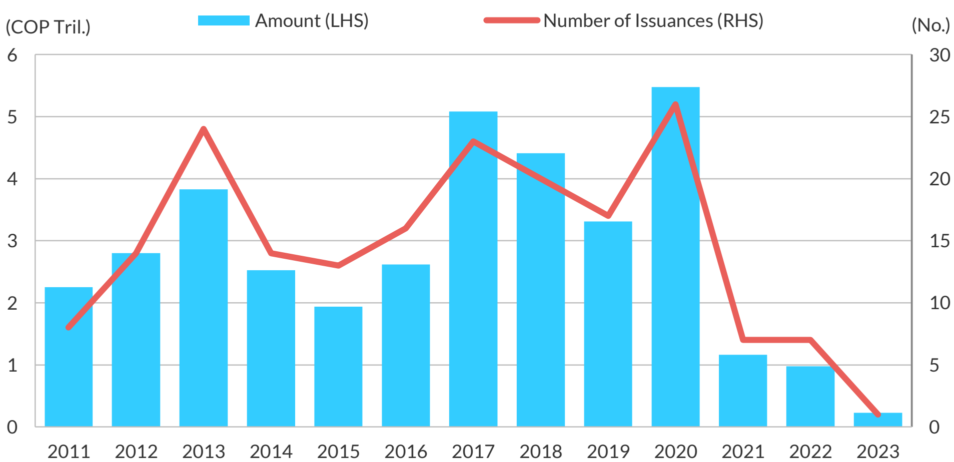
### Cross-Border Maturities: Fitch Portfolio




Source: Fitch Ratings, Fitch Solutions

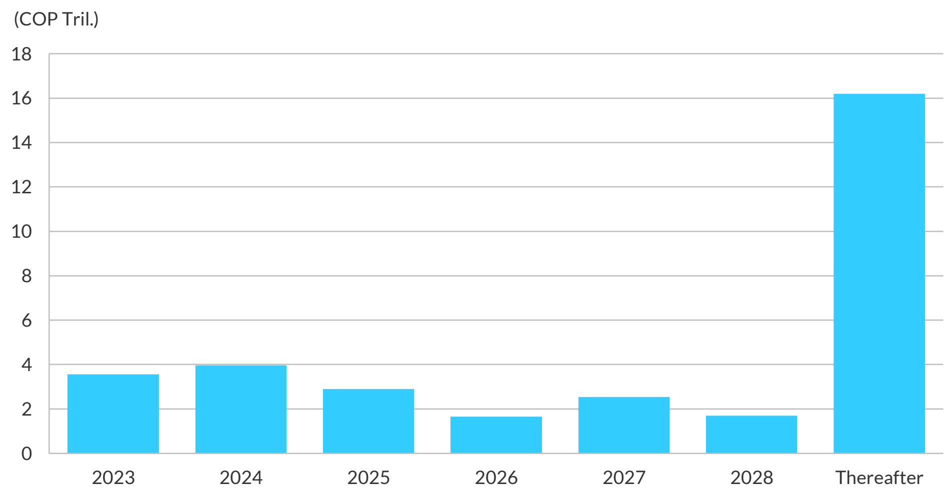
### Local Bond Issuances: Fitch Portfolio

(As of Jan. 31, 2023)




Source: Superintendencia Financiera

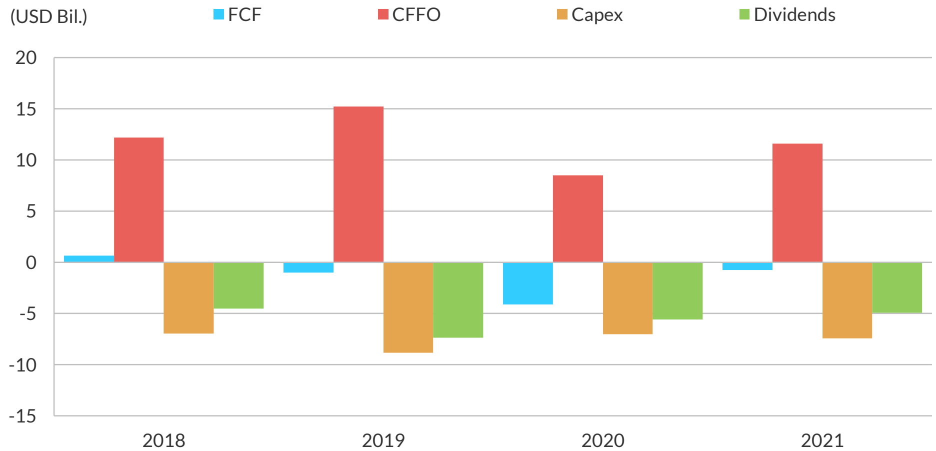
### Local Bond Maturities: Fitch Portfolio




Source: Superintendencia Financiera

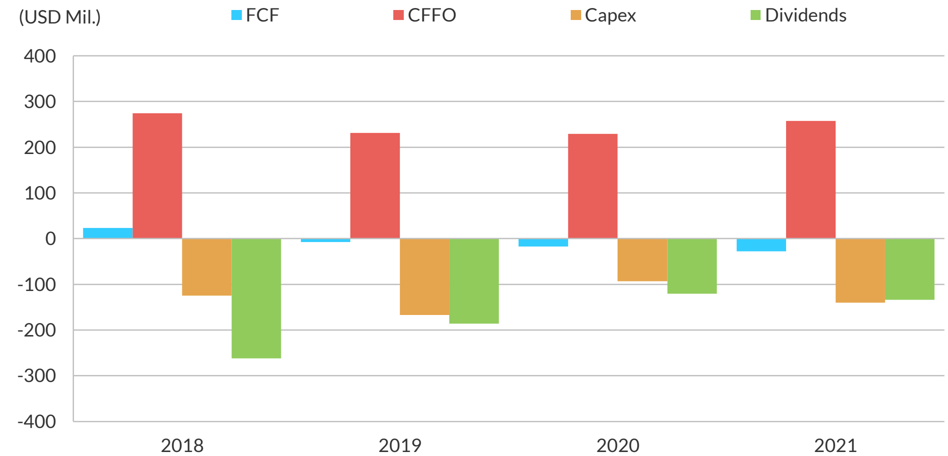
## Colombian Corporates: Financial Profile

### Aggregate Cash Flow Performance: Colombian Corporate International Ratings (Fitch Portfolio)



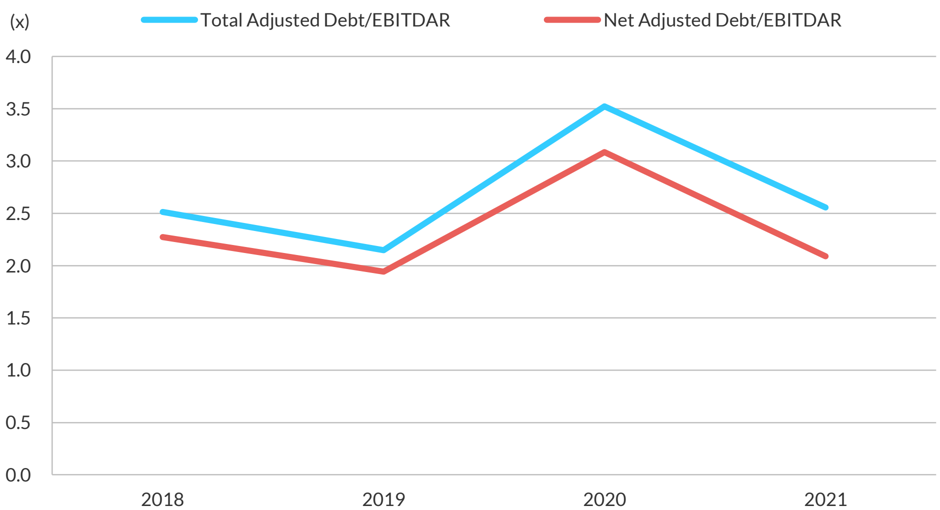

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Colombian Corporate International Ratings (Fitch Portfolio)



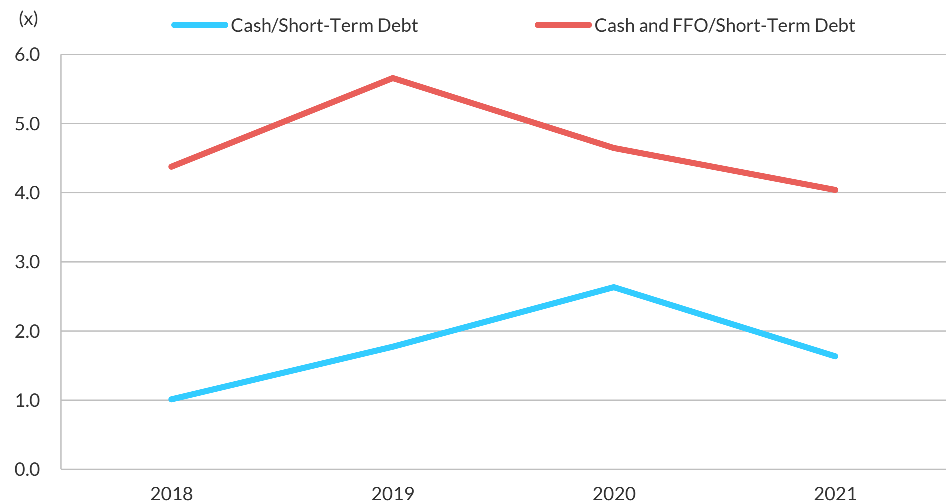

CFFO – Cash flow from operation.
Source: Fitch Ratings, Fitch Solutions

### Median Leverage: Colombian Corporate International Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

### Median Liquidity: Colombian Corporate International Ratings (Fitch Portfolio)

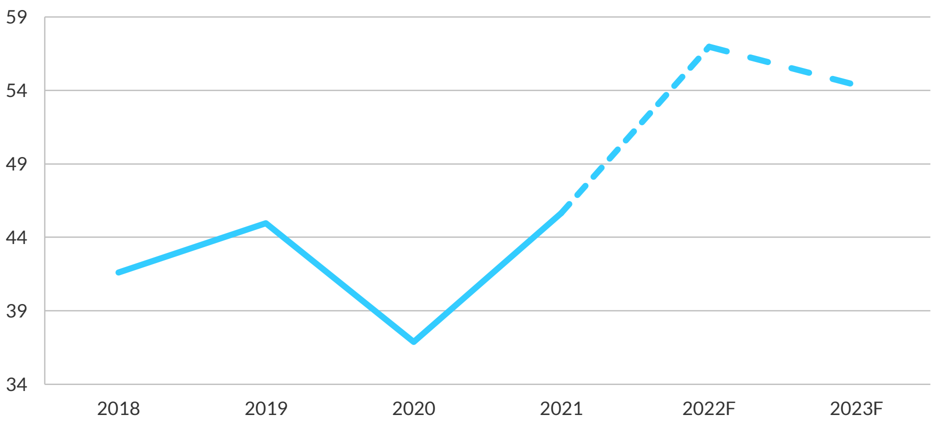



Source: Fitch Ratings, Fitch Solutions

## Colombian Corporates: Fitch Forecasts

### Aggregate Revenue

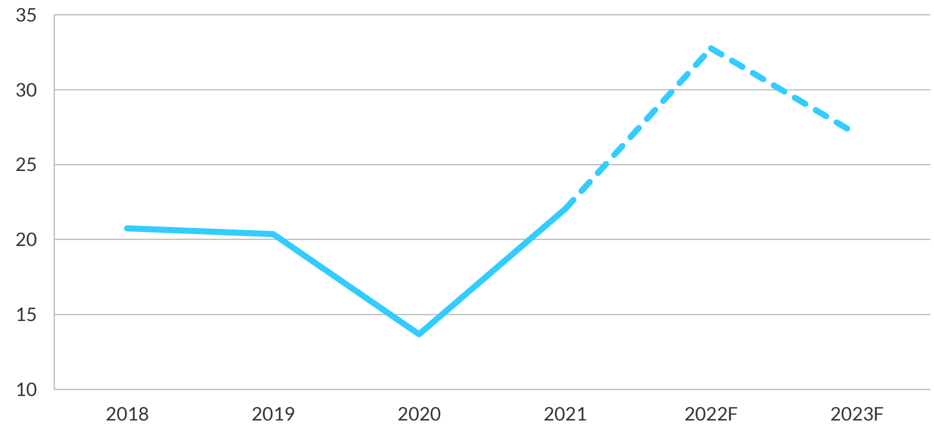
(USD Bil.)




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Aggregate EBITDA

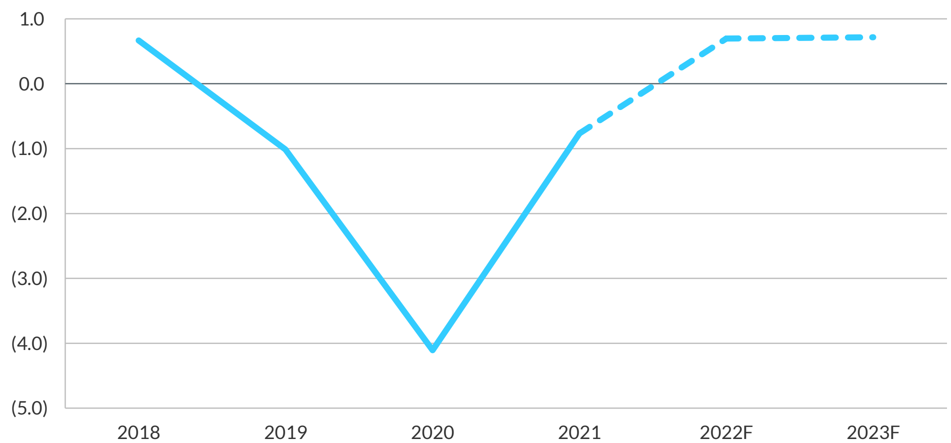
(USD Bil.)




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Aggregate FCF

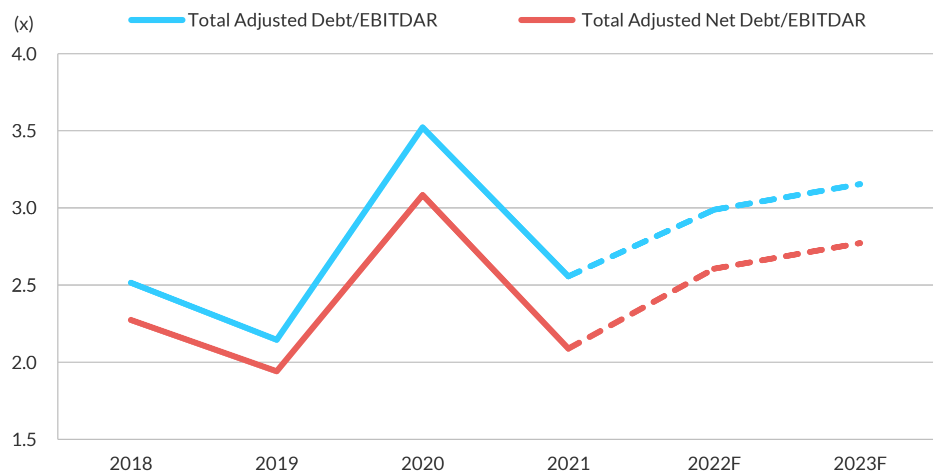
(USD Bil.)




F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Projected Leverage

(x)




F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Colombian Corporates: Key Statistics

### International Scale

| (COP Mil.) | | | Operating EBITDAR[a] | | | Cash Flow from Operations | | | Net Adjusted Debt/ EBITDAR (x) | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Company Name** | **LT IDR** | **Outlook** | **2021** | **2022F** | **2023F** | **2021** | **2022F** | **2023F** | **2021** | **2022F** | **2023F** | **Cash and Marketable Securities** | **Short-Term Debt** | **Total Debt** |
| A.I. Candelaria (Spain), S.A. | BB | Stable | 606,600 | 700,513 | 871,979 | 162,303 | 535,534 | 582,573 | 5.4 | 5.1 | 4.6 | 361,793 | 98,600 | 3,881,529 |
| Aris Mining Corp. | B+ | Stable | 641,532 | 750,862 | 688,190 | 311,294 | 183,349 | 369,064 | -0.1 | 1.1 | 2.9 | 1,293,519 | 32,521 | 1,256,344 |
| Canacol Energy Ltd. | BB | Stable | 611,377 | 690,255 | 895,087 | 474,808 | 498,981 | 527,741 | 2.2 | 2.8 | 3.1 | 553,775 | 10,046 | 1,976,800 |
| Colombia Telecomunicaciones S.A. E.S.P. | BBB– | Stable | 1,414,290 | 1,251,906 | 1,240,389 | 1,226,015 | 362,414 | 692,192 | 2.6 | 2.6 | 2.6 | 548,070 | — | 4,264,648 |
| Ecopetrol S.A. | BB+ | Stable | 39,923,303 | 79,560,929 | 73,537,751 | 19,430,914 | 37,078,090 | 46,912,214 | 1.9 | 0.9 | 0.9 | 16,177,056 | 8,917,760 | 93,895,829 |
| Empresa de Telecomunicaciones de Bogota, S.A., E.S.P. | BB+ | Stable | 474,515 | 425,514 | 493,455 | 377,163 | 327,867 | 384,433 | 0.2 | 0.9 | 1.1 | 416,017 | 170,000 | 524,074 |
| Empresas Publicas de Medellin E.S.P. (EPM) | BB+ | RWN | 7,207,238 | 8,151,708 | 9,340,650 | 4,237,181 | 4,521,275 | 5,430,762 | 3.0 | 2.9 | 2.8 | 4,883,796 | 3,570,569 | 26,425,234 |
| Enel Colombia S.A. E.S.P. | BBB | Stable | 2,950,849 | 5,121,526 | 5,399,963 | 2,072,127 | 3,407,533 | 3,449,285 | 0.7 | 1.3 | 1.5 | 213,701 | 601,433 | 2,308,528 |
| Frontera Energy Corporation | B | Stable | 1,652,863 | 2,771,634 | 3,443,463 | 1,072,038 | 2,560,542 | 2,234,136 | 0.7 | 0.4 | 0.1 | 1,029,426 | 586,560 | 2,208,983 |
| Geopark Limited | B+ | Stable | 1,059,178 | 3,028,774 | 2,834,300 | 639,654 | 3,501,821 | 2,416,221 | 2.0 | 0.1 | -0.5 | 402,186 | 71,623 | 2,694,824 |
| Gran Tierra Energy International Holdings Ltd. | B | Stable | 1,121,816 | 2,354,937 | 2,537,991 | 970,380 | 3,097,437 | 1,827,010 | 2.1 | 0.4 | 0.1 | 104,376 | 267,795 | 2,610,333 |
| Grupo de Inversiones Suramericana S.A. | BB+ | Stable | 578,273 | 1,049,716 | 1,360,975 | 1,027,137 | 495,472 | 946,833 | 7.7 | 4.6 | 3.3 | 136,628 | 610,628 | 4,594,600 |
| Grupo Energia Bogota S.A. E.S.P. (GEB) | BBB | Stable | 4,659,603 | 4,179,974 | 4,380,504 | 2,952,542 | 2,863,789 | 3,208,086 | 2.9 | 3.9 | 3.8 | 1,695,752 | 873,713 | 15,123,825 |
| Interconexion Electrica S.A. E.S.P. | BBB | Stable | 7,029,638 | 6,395,896 | 7,083,856 | 2,977,428 | 4,234,239 | 4,650,420 | 3.4 | 3.9 | 3.6 | 4,327,629 | 2,866,267 | 27,940,442 |
| Isagen S.A. E.S.P. | BBB– | Stable | 2,214,830 | 2,280,105 | 2,216,062 | 1,375,580 | 963,085 | 1,048,476 | 3.2 | 3.2 | 3.2 | 172,827 | 234,090 | 7,194,613 |
| Oleoducto Central S.A. (OCENSA) | BB+ | Stable | 3,979,991 | 4,970,895 | 5,012,855 | 2,859,704 | 3,317,235 | 3,351,635 | 0.3 | 0.2 | 0.2 | 675,713 | — | 1,927,200 |
| Promigas S.A. E.S.P. | BBB– | Stable | 1,600,198 | 1,895,336 | 2,112,760 | 1,029,496 | 732,101 | 1,193,474 | 4.0 | 3.5 | 3.3 | 668,609 | 652,243 | 7,124,889 |
| SierraCol Energy Limited | B+ | Stable | 1,827,661 | 3,291,346 | 2,994,157 | 1,461,023 | 3,098,750 | 1,820,156 | 1.0 | -0.1 | -0.1 | 488,208 | — | 2,398,626 |
| TermoCandelaria Power, S.A. | BB | Stable | 475,047 | 514,774 | 786,951 | 244,296 | 284,320 | 466,146 | 4.3 | 4.4 | 3.1 | 213,118 | 178,698 | 2,401,105 |
| Transportadora de Gas Internacional S.A. ESP (TGI) | BBB | Stable | 1,147,253 | 1,155,659 | 1,361,836 | 642,508 | 843,396 | 1,067,932 | 2.0 | 3.3 | 3.2 | 562,646 | 1,479,153 | 2,998,283 |
| UNE EPM Telecomunicaciones S.A. | BBB– | Stable | 1,249,062 | 1,311,669 | 1,362,200 | 824,721 | 1,043,971 | 1,105,284 | 1.9 | 2.0 | 2.1 | 804,701 | 398,116 | 3,193,987 |

[a]EBITDAR after associates and minorities. LT IDR – Long-Term Issuer Default Rating. F – Forecast. RWN – Rating Watch Negative. Note: Ratings as of March 1, 2023.
Source: Fitch Ratings, Fitch Solutions

# Colombian Corporates: Key Statistics

## National Scale

| (COP Mil.) | | | Operating EBITDAR[a] | | | Cash Flow from Operations | | | Net Adjusted Debt/EBITDAR (x) | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | NLTR | Outlook | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | Cash and Marketable Securities | Short-Term Debt | Total Debt |
| Acueducto Metropolitano de Bucaramanga S.A. E.S.P. | AAA(col) | Stable | 76,102 | 81,194 | 92,382 | 52,484 | 56,877 | 65,197 | 0.8 | 0.8 | 0.7 | 53.274 | 16,639 | 115,952 |
| Aguas de Cartagena S.A E.S.P. | AA+(col) | Stable | 74,394 | 72,709 | 78,977 | 36,139 | 60,817 | 61,139 | 3.2 | 3.3 | 2.9 | 12.696 | 50,748 | 248,761 |
| Aguas de Manizales S.A. E.S.P. | AA+(col) | Stable | 36,115 | 37,740 | 42,086 | 32,048 | 29,695 | 16,090 | 3.1 | 4.7 | 4.9 | 36.201 | 15,631 | 149,940 |
| Aguas Nacionales EPM S.A. E.S.P. | AAA(col) | RWN | 301,441 | 235,163 | 252,936 | 277,242 | 225,212 | 237,960 | -0.4 | -0.2 | -0.3 | 125.925 | — | — |
| Aguas Regionales EPM S.A. E.S.P. | AA−(col) | Stable | 28,836 | 28,061 | 29,959 | 15,244 | 19,868 | 25,451 | 1.8 | 2.5 | 2.6 | 21.190 | 8,520 | 73,008 |
| Alpina Productos Alimenticios S.A. BIC | AAA(col) | Stable | 242,318 | 334,635 | 374,216 | 229,651 | 164,863 | 224,905 | 3.6 | 2.5 | 2.0 | 100.076 | 45,556 | 971,352 |
| Aquamana S.A. | BB+(col) | Stable | 2,236 | 1,902 | 2,108 | 2,124 | 1,699 | 1,723 | -1.4 | -2.0 | -1.1 | 3.229 | — | — |
| Arquitectura y Concreto S.A.S. | A+(col) | Stable | 92,113 | 51,180 | 112,502 | 306,994 | 99,050 | 89,403 | 1.7 | 1.8 | 1.3 | 273.330 | 100,018 | 425,485 |
| Caribemar de la Costa S.A. | AAA(col) | RWN | 130,122 | 621,311 | 774,021 | -458,710 | -308,810 | 208,973 | -6.9 | -0.0 | 1.1 | 903.182 | — | — |
| Celsia Colombia S.A. E.S.P. | AAA(col) | Stable | 1,148,332 | 1,223,295 | 1,276,480 | 1,089,985 | 725,058 | 790,838 | 2.5 | 2.6 | 2.5 | 50.490 | 264,344 | 2,936,165 |
| Cementos Argos S.A.[b] | AA(col) | Positive | 1,779,008 | 1,644,210 | 1,817,408 | 827,800 | 910,498 | 1,182,726 | 3.3 | 3.5 | 3.1 | 483.229 | 1,777,242 | 6,292,567 |
| Central Hidroelectrica de Caldas S.A. E.S.P. | AAA(col) | RWN | 247,887 | 355,310 | 390,426 | 180,582 | 149,889 | 286,671 | 0.9 | 0.9 | 1.0 | 72.887 | 33,968 | 295,772 |
| Centrales Electricas del Norte de Santander S.A. E.S.P. | AAA(col) | RWN | 262,346 | 317,585 | 269,779 | 146,298 | 112,677 | 167,705 | 1.3 | 1.5 | 2.2 | 75.020 | 85,434 | 409,845 |
| Colombina S.A. | AA+(col) | Stable | 212,400 | 277,014 | 311,089 | 164,493 | 49,319 | 133,085 | 4.0 | 3.6 | 3.6 | 39.252 | 56,206 | 879,082 |
| Compania de Servicios Publicos de Sogamoso S.A. E.S.P. | BBB+(col) | Stable | 10,883 | 11,406 | 11,789 | 2,601 | 7,771 | 8,183 | -1.3 | -0.9 | -0.7 | 17.168 | 518 | 2,998 |
| Compania Energetica de Occidente S.A.S. E.S.P. | AAA(col) | Stable | 122,270 | 153,282 | 164,483 | 90,896 | 51,246 | 80,880 | 2.3 | 2.5 | 2.8 | 14.392 | 10,423 | 296,788 |
| Electrificadora de Meta S.A. E.S.P. | AAA(col) | Stable | 118,087 | 107,607 | 132,400 | 105,156 | 45,209 | 68,068 | 1.3 | 1.7 | 1.9 | 27.558 | 60,832 | 177,928 |
| Empresa Electrificadora de Santander S.A. E.S.P. ESSA | AAA(col) | RWN | 461,722 | 515,585 | 533,288 | 235,527 | 217,982 | 331,810 | 1.6 | 1.9 | 2.0 | 80.327 | 194,239 | 799,291 |
| Empresa de Acueducto y Alcantarillado de Bogota E.S.P. EAAB | AAA(col) | Stable | 771,837 | 772,827 | 787,210 | 650,503 | 612,264 | 607,348 | -0.8 | 0.1 | 0.9 | 669.560 | 29,813 | 54,487 |
| Empresa de Acueducto y Alcantarillado de Pereira S.A.S. E.S.P. | AAA(col) | Stable | 42,724 | 44,771 | 48,137 | 30,557 | 34,922 | 36,923 | 1.4 | 1.2 | 1.8 | 4.393 | 4,218 | 65,985 |
| Empresa de Acueducto y Alcantarillado de Villavicencio E.S.P. – EICE | BBB−(col) | Stable | 38,234 | 35,759 | 36,774 | 23,056 | 29,223 | 29,360 | 0.5 | 0.4 | 0.2 | 28.783 | 6,800 | 48,095 |
| Empresa de Energia de Arauca S.A. | BB−(col) | Stable | 4,647 | 16,399 | 18,196 | 19,159 | 5,793 | 14,677 | 0.6 | 0.9 | 0.4 | 4.315 | 1,350 | 7,221 |
| Empresa de Energia del Quindio S.A.E.S.P. | AAA(col) | RWN | 77,157 | 74,305 | 82,914 | 36,330 | 29,682 | 63,423 | 0.5 | 1.2 | 1.4 | 30.561 | 11,158 | 69,624 |

## Colombian Corporates: Key Statistics

### National Scale

| (COP Mil.) | | | Operating EBITDAR[a] | | | Cash Flow from Operations | | | Net Adjusted Debt/ EBITDAR (x) | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | NLTR | Outlook | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | 2021 | 2022F | 2023F | Cash and Marketable Securities | Short-Term Debt | Total Debt |
| Empresa de Generacion Y Promocion de Energia de Antioquia S.A. E.S.P. | B+(col) | Stable | 2,189 | 2,921 | 3,547 | 7,583 | -83 | 306 | -5.2 | 1.8 | 2.6 | 11.358 | — | — |
| Empresa de Servicios Publicos Domiciliarios de Pitalito E.S.P. | BB−(col) | Positive | 1,851 | 95 | 244 | 3,614 | -2,826 | 1,424 | -1.9 | -2.7 | -5.6 | 3.594 | — | — |
| Empresa de Servicios Publicos de Santander E.S.P. | BBB+(col) | Stable | 2,538 | 2,359 | 2,793 | 3,168 | 1,438 | 1,096 | -0.3 | 3.4 | 2.4 | 642 | — | — |
| Empresa Ibaguerena de Acueducto y Alcantarillado IBAL S.A. E.S.P. | BBB+(col) | Positive | 33,185 | 27,939 | 35,914 | 17,398 | 21,012 | 22,451 | 1.1 | -0.9 | 2.1 | 35,148 | 7,965 | 72,374 |
| Empresas Varias de Medellin S.A. E.S.P. | AA+(col) | Stable | 39,483 | 43,974 | 50,554 | 32,310 | 35,872 | 40,402 | 0.6 | 0.5 | 0.4 | 60,342 | — | 4,101 |
| Enviaseo E.S.P. | A+(col) | Stable | 3,674 | 4,826 | 4,946 | 6,407 | 3,059 | 1,147 | -1.2 | -1.2 | -1.1 | 6,274 | — | 2,000 |
| Gases de Occidente S.A. E.S.P. | AAA(col) | Stable | 212,047 | 255,267 | 262,356 | 96,342 | 136,898 | 116,532 | 1.4 | 0.9 | 0.9 | 111,715 | 122,602 | 410,118 |
| Gases del Caribe S.A. | AAA(col) | Stable | 535,437 | 589,781 | 583,779 | 171,409 | 86,910 | 127,395 | 2.0 | 1.9 | 2.1 | 134,849 | 58,058 | 1,204,616 |
| Grupo Argos S.A. | AAA(col) | Stable | 419,348 | 790,067 | 516,348 | 296,343 | 630,360 | 371,855 | 3.5 | 1.4 | 2.1 | 16,237 | 92,000 | 1,474,646 |
| Industria Ambiental S.A.S. | AA(col) | Stable | 30,267 | 37,153 | 41,771 | 30,585 | 16,217 | 16,639 | 0.8 | 2.1 | 2.1 | 15,823 | 15,057 | 40,521 |
| Industria Licorera de Caldas | AA−(col) | Stable | 88,110 | 73,290 | 83,297 | 63,507 | 50,313 | 54,077 | -1.1 | -1.4 | -0.2 | 123,353 | 6,561 | 25,541 |
| Odinsa S.A. | AA(col) | Stable | 112,427 | 1,080,930 | 22,594 | 49,453 | 1,011,347 | 8,546 | 8.8 | 0.1 | 10.8 | 28,101 | 737,645 | 1,013,047 |
| Organizacion Terpel S.A. | AAA(col) | Stable | 1,083,893 | 1,314,310 | 1,314,979 | 434,940 | 343,683 | 331,120 | 2.2 | 2.2 | 2.5 | 705,837 | 539,218 | 2,699,382 |
| Primax Colombia S.A. | AA+(col) | Stable | 172,767 | 172,959 | 218,357 | 586,844 | 80,997 | 121,067 | 1.4 | 2.2 | 1.7 | 238,352 | 33,333 | 456,451 |
| Procafecol S.A. | A(col) | Stable | 30,194 | 34,654 | 34,710 | -52 | 12,004 | 15,343 | 3.4 | 3.7 | 3.9 | 9,000 | 29,834 | 75,943 |
| Prodesa y CIA S.A. | A−(col) | Stable | 56,949 | 43,385 | 46,110 | -29,758 | 61,732 | -12,616 | 4.7 | 5.5 | 6.1 | 45,501 | 189,457 | 315,246 |
| Promioriente S.A. E.S.P. | AA+(col) | Stable | 101,480 | 188,019 | 170,573 | 102,359 | 107,653 | 107,245 | 1.9 | 0.7 | 0.5 | 9,496 | — | 205,000 |
| Puerta de Oro Empresa de Desarrollo del Caribe S.A.S. | BB(col) | Stable | -3,346 | -1,886 | 709 | -7,750 | -6,675 | -4,388 | -8.0 | -12.0 | 3.6 | 7,023 | 21,775 | 30,189 |
| Riopaila Castilla S.A. | BBB+(col) | Stable | 224,124 | 209,808 | 190,829 | 165,487 | 134,228 | 129,635 | 2.5 | 2.6 | 2.8 | 3,336 | 220,064 | 560,146 |
| Sociedad de Acueductos y Alcantarillado del Valle del Cauca S.A. E.S.P. ACUAVALLE | A+(col) | Positive | 25,871 | 29,277 | 36,987 | 23,339 | 22,003 | 23,278 | -1.4 | -0.6 | 1.4 | 44,794 | 3,713 | 9,422 |
| Surtidora de Gas del Caribe S.A. E.S.P. – Surtigas S.A. ESP | AAA(col) | Stable | 152,899 | 158,651 | 180,795 | -44,709 | -10,979 | 44,766 | 1.9 | 2.0 | 1.7 | 42,866 | 10,246 | 336,357 |
| Transelca S.A. E.S.P. | AAA(col) | Stable | 322,382 | 264,311 | 307,355 | 251,387 | 191,190 | 224,424 | 0.7 | 1.6 | 1.2 | 97,288 | 5,226 | 333,776 |
| Ultracem S.A.S | A(col) | Negative | 69,507 | 78,097 | 92,006 | -22,042 | 39,464 | 34,511 | 1.7 | 2.8 | 4.0 | 52,377 | 44,408 | 169,859 |
| Vanti S.A. E.S.P. | AAA(col) | Stable | 425,883 | 552,285 | 480,510 | 224,950 | 370,689 | 249,831 | 1.1 | 0.8 | 1.2 | 112,581 | 9,767 | 568,312 |

[a]EBITDAR after associates and minorities. [b]Rating is for the senior unsecured bonds. NLTR – National Long-Term Rating. F – Forecast. RWN – Rating Watch Negative. Note: Ratings as of March 1, 2023.
Source: Fitch Ratings, Fitch Solutions

## Related Research

Latin American Corporates Spotlight Series: Colombia Challenges Ahead Despite Healthy Liquidity (February 2023)

Latin American Corporates Outlook 2023 (November 2022)

What Investors Want to Know: Colombian Natural Gas (Political Considerations Challenge Gas Transportation Companies' Outlook) (October 2022)

What Investors Want to Know: Latin American Telecommunications (Aggressive Competition in Tightly Held Markets) (October 2022)

Politics May Weaken Colombian Utilities' Regulatory Environment (September 2022)

## Analysts

**Natalia O'Byrne Cuéllar**
+57 601 484-6773
natalia.obyrne@fitchratings.com

**Nicolás Rey García**
+ 57 1 443-3755
nicolas.rey@fitchratings.com

# Mexican Corporate Credit Indicators: Fourth-Quarter 2022

## Strong Liquidity Mitigates High Inflation and Interest Rates

**Rising Inflation and Interest Rates:** Fitch Ratings sees that a prolonged inflationary environment in Mexico (BBB–/Stable), coupled with higher financing costs, may limit Mexican corporates' ability to pass through higher costs to final customers, affecting profitability and cash flows.

Annual inflation in Mexico was 7.8% in December 2022, compared with 8.7% in September 2022 and 7.4% in 2021. Headline inflation was high at 7.9% in January 2023. Fitch is forecasting YE 2023 inflation of around 5.0%, above the central bank's established range of 3.0%, plus or minus 1pp. The central bank increased interest rates by 500bps to 10.5% in 2022 and an additional 50bps in February 2023 to 11.0%, which adds pressure to corporates' financing costs and cash flows.

**Rating Outlooks Are Stable:** For international and national scale ratings, 83% of issuers held Stable Outlooks, 4% had Negative Outlooks and 12% had Positive Outlooks, at YE 2022. The remaining 1% were rated 'CCC' or lower and had no Outlook. Downgrades/upgrades for 2022 were 0.3x, slightly lower than 0.5x for 2021.

**Favorable Manufacturing and Logistics:** A rebound in industrial activity, mainly in manufacturing, fueled by the U.S.–Mexico–Canada Agreement (USMCA), supported economic recovery in 2022. Exports represent more than 30% of GDP and manufacturing is near 90% of total exports, as most exports are U.S. bound, reflecting strong demand from U.S. and Mexican export-related sectors. Supply chain disruptions started to normalize in 2022; however, light vehicle production has not recovered to pre-pandemic levels.

Nearshoring momentum continues as the main driver for foreign and local investment in Mexico, particularly in the manufacturing sector. Foreign direct investments (FDI) in Mexico grew 29.5% for 9M22 from a year-earlier, according to the Ministry of Economy. The manufacturing sector had the highest share of FDI with 36.3%, followed by transportation and storage with 14.5%.

**Potential U.S. Recession Affects Mexican Economy:** Fitch forecasts a mild U.S. recession in 2023, negatively affecting Mexico, given strong trade, remittances and tourism linkages between the countries. We expect GDP growth of 0.2% in 2023 for the U.S. and 1.4% for Mexico, below official estimated 2022 figures of 1.9% and 3.1%, respectively.

**Government Policies Constrain Investment:** Government policies, especially electricity initiatives, discourage private and foreign investment, amid high business uncertainty. The government favors more state intervention in the energy sector.

The U.S. and Canadian governments began a consultation process under the USMCA, alleging recent Mexican energy and electricity policy decisions contravene the trade agreement. This could lead to a potential increase in tariffs on Mexican exports to partners in North America. Government policies delayed private and foreign investment decisions due to increased uncertainty in doing business in the country and concerns over the rule of law, corruption and security issues.

"Mexican corporates' strong liquidity mitigates challenges from high inflation, higher interest rates, a potential economic slowdown and government policies discouraging investment. The manufacturing platform continues to have strong fundamentals and is a pillar of the domestic economy."

Alberto Moreno Arnaiz, Senior Director

**Positive FCF Expected:** We expect median FCF in 2023, after capex and dividends, for the Mexican corporates portfolio to be positive, supported by cash flow from operations. Capex in 2022 recovered from historic lows in 2020 but are still below pre-pandemic levels. We expect estimated median capex/depreciation to reach 1.4x for 2022, from 1.2x in 2021 and 0.8x in 2020. However, this is lower than the 1.5x before the pandemic. Moreover, our projections indicate a median of around 1.2x in the next few years, reflecting a cautious view from Mexican companies.

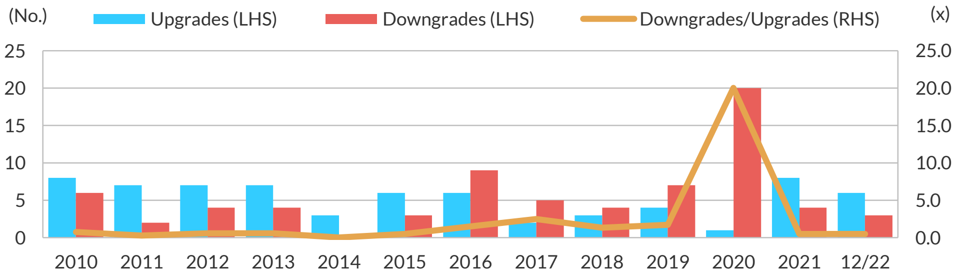
**Stable Low Leverage:** Mexican companies rated by Fitch are well positioned to navigate the current environment. Median net adjusted debt/EBITDAR for our publicly rated Mexican corporates portfolio is expected to reach 1.8x in 2023, from a forecast 1.7x in 2022 and 1.7x in 2021.

**Adequate Liquidity:** Liquidity profiles remain sound, with no major maturities in 2023. Mexican corporates entered 2023 with comfortable liquidity. Most companies have healthy cash balances, manageable debt maturities and good access to credit through local banks and capital markets. Median cash/short-term debt is estimated at 4.0x for YE 2022, similar to the 3.9x for YE 2021. Projected median cash/short-term debt for 2023 is 4.6x.

Mexican corporates have around USD19.4 billion in 2023 maturities, of which USD11.6 billion is international bonds, USD5.9 billion is credit loans and USD1.9 billion is local bonds. International cross-border debt issuances continue to be muted due to market conditions. Local bond issuances resumed in 2Q22. Issuances rated by Fitch totaled MXN98 billion in 2022, a 73.4% increase compared with 2021.

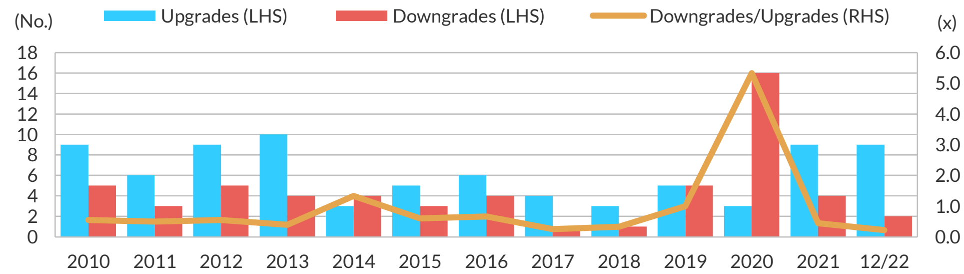
## Mexican Corporates: Rating Portfolio

### Downgrades and Upgrades: International Scale
(As of Dec. 31, 2022)



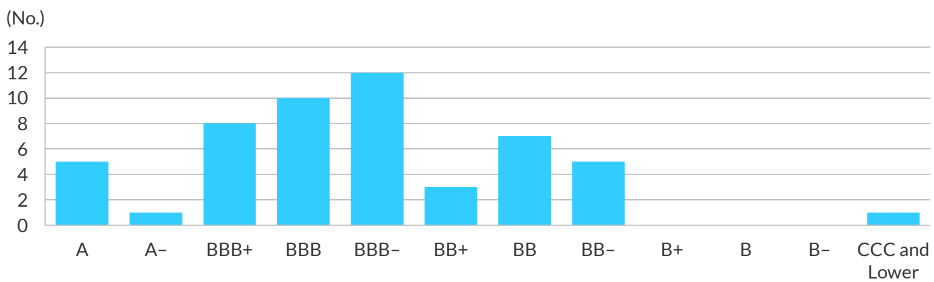

Source: Fitch Ratings

### Downgrades and Upgrades: National Scale
(As of Dec. 31, 2022)



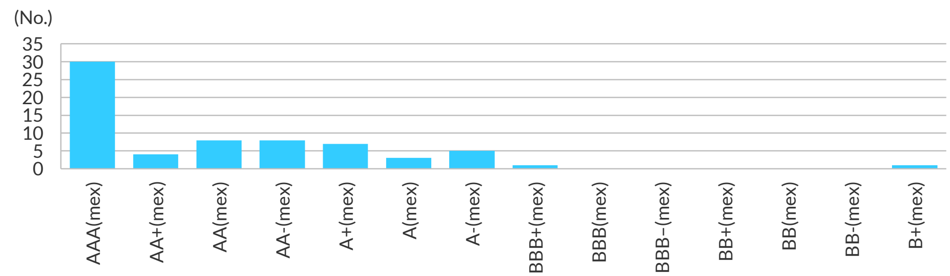

Source: Fitch Ratings

### Corporate Ratings Distribution: International Scale
(As of Dec. 31, 2022)



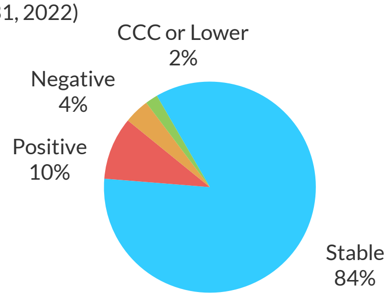

Source: Fitch Ratings

### Corporate Ratings Distribution: National Scale
(As of Dec. 31, 2022)



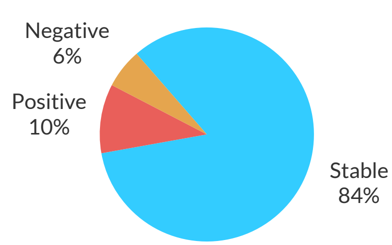

Source: Fitch Ratings

### Rating Outlook/Watch: International Scale
(As of Dec. 31, 2022)



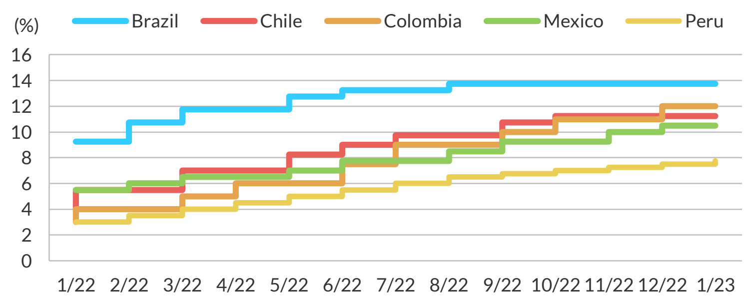

Source: Fitch Ratings

### Rating Outlook/Watch: National Scale
(As of Dec. 31, 2022)




Source: Fitch Ratings

### Central Bank Rates by Country




Source: Fitch Ratings, Fitch Solutions

# Mexican Corporates: Sector Risks Profile

## Key Risks for Mexican Corporates in 2023

- A U.S. recession
- Uncertainty from political risk
- High Inflation, interest rate volatility and Mexican peso depreciation

Source: Fitch Ratings

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | U.S. Recession | Uncertainty from Political Risk | Interest rate, Inflation, FX | Leverage/ Refinancing Risk |
|---|---|---|---|---|---|
| AC Bebidas, S de R.L. de C.V. | Green | Yellow | Green | Yellow | Green |
| Alfa S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Alpek, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Alsea, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| America Movil S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Ammper Energia, S.A.P.I. de C.V. | Green | Yellow | Yellow | Yellow | Green |
| Arca Continental, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Axtel, S.A.B. de C.V. | Green | Yellow | Yellow | Yellow | Green |
| Banamex Fibra Danhos, Fideicomiso 17416-3 | Green | Green | Green | Yellow | Green |
| Banco Invex, S.A. Fideicomiso F/2157 (Fibra MTY) | Green | Yellow | Green | Yellow | Green |
| Becle, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Bepensa Bebidas, S.A. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Bepensa, S.A. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Betterware de Mexico, S.A.P.I. de C.V. | Green | Green | Green | Yellow | Green |
| Braskem Idesa SAPI | Green | Yellow | Red | Yellow | Green |
| Grupo AXO, S.A.P.I. de C.V. | Green | Green | Green | Yellow | Green |
| Grupo Bimbo, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Carso, S.A. de C.V. | Green | Green | Yellow | Yellow | Green |
| Grupo Collado, S.A. de C.V. | Yellow | Yellow | Yellow | Yellow | Green |
| Grupo Comercial Chedraui, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Grupo Elektra, S. A. B. de C. V. | Red | Green | Yellow | Yellow | Green |
| Grupo Ferroviario Mexicano, S.A. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Herdez, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Industrial Saltillo, S.A. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Kaltex, S.A. de C.V. | Yellow | Yellow | Green | Red | Red |
| Grupo KUO, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Lala, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Grupo Lamosa, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Mexico, S.A.B. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Grupo Palacio de Hierro, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | U.S. Recession | Uncertainty from Political Risk | Interest rate, Inflation, FX | Leverage/ Refinancing Risk |
|---|---|---|---|---|---|
| CEMEX, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| CIB/572 Fibra Storage | Green | Yellow | Green | Yellow | Yellow |
| CIBANCO, S.A., Institucion de Banca Multiple, Trust F/00939 (Fibra Terrafina) | Green | Yellow | Green | Yellow | Green |
| CIBANCO, S.A., Institucion de Banca Multiple, Fideicomiso Numero CIB/3332 (Fibra Soma) | Green | Green | Green | Yellow | Yellow |
| Coca-Cola FEMSA, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Comercializadora Circulo CCK, S.A. de C.V. | Green | Green | Green | Yellow | Green |
| Cometa Energia, S.A. de C.V. | Green | Green | Yellow | Yellow | Green |
| Comision Federal de Electricidad (CFE) | Yellow | Green | Green | Yellow | Yellow |
| Consorcio Ara, S.A.B. de C.V. | Green | Green | Yellow | Yellow | Green |
| Controladora Mabe S.A. de C.V. (Mabe) | Green | Yellow | Green | Yellow | Green |
| Corporacion Inmobiliaria Vesta S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Corporacion Interamericana de Entretenimiento (CIE) | Green | Green | Green | Yellow | Green |
| Cydsa, S.A.B. de C.V. | Green | Yellow | Yellow | Yellow | Green |
| Daimler Mexico, S.A. de C.V. | Green | Yellow | Green | Yellow | Green |
| Desarrollos Hidraulicos de Cancun, S.A. de C.V. | Green | Green | Yellow | Yellow | Green |
| Deutsche Bank Mexico, Fideicomiso F/1596 Fibra Hotel | Green | Yellow | Green | Yellow | Yellow |
| El Puerto de Liverpool, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Electricidad Firme de Mexico Holdings, S.A. de C.V. | Green | Green | Yellow | Yellow | Yellow |
| Fermaca Enterprises, S. de R.L. de C.V. | Green | Green | Yellow | Green | Green |
| Ferrocarril Mexicano, S.A. de C.V. | Green | Yellow | Green | Yellow | Green |
| Fideicomiso 2870 Fibra Nova | Green | Yellow | Green | Yellow | Yellow |
| Fideicomiso Fibra Uno | Green | Yellow | Green | Yellow | Yellow |

| Sector | ESG Risk | U.S. Recession | Uncertainty from Political Risk | Interest rate, Inflation, FX | Leverage/ Refinancing Risk |
|---|---|---|---|---|---|
| Grupo Pochteca, S.A.B. de C.V. | Yellow | Green | Red | Yellow | Yellow |
| Grupo Rotoplas, S.A.B., de C.V. | Green | Green | Green | Yellow | Green |
| Grupo Sanborns, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Grupo Televisa S.A.B. | Green | Green | Green | Yellow | Green |
| Grupo Traxion, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Grupo Vasconia, S.A.B. | Green | Yellow | Green | Yellow | Green |
| Industrias Bachoco, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Industrias Penoles, S.A.B. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Infraestructura Energetica Nova, S. A. B. de C. V. | Green | Green | Yellow | Yellow | Green |
| Inmobiliaria Ruba S.A. de C.V. | Green | Green | Yellow | Yellow | Green |
| Inmuebles Carso, S.A. de C.V. | Green | Green | Green | Yellow | Green |
| Kimberly Clark de Mexico, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Medica Sur, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Megacable Holdings, S.A.B. de C.V. | Green | Green | Green | Yellow | Green |
| Metalsa, S.A. de C.V. | Green | Yellow | Green | Yellow | Green |
| Minera Frisco, S.A.B. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Minera Mexico, S.A. de C.V. | Yellow | Yellow | Green | Yellow | Green |
| Molibdenos y Metales S.A. | Yellow | Yellow | Green | Yellow | Green |
| Naturgy Mexico, S.A. de C.V. | Green | Green | Yellow | Yellow | Green |
| Nemak, S.A.B. de C.V. | Green | Yellow | Green | Yellow | Green |
| Nueva Elektra del Milenio, S.A. de C.V. | Red | Green | Yellow | Yellow | Green |
| Operadora de Sites Mexicanos, S.A. de C.V. | Green | Green | Green | Yellow | Green |

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | U.S. Recession | Uncertainty from Political Risk | Interest rate, Inflation, FX | Leverage/ Refinancing Risk |
|---|---|---|---|---|---|
| Fideicomiso Irrevocable DB/1616 (Fibra Inn) | 🟢 | 🟡 | 🟢 | 🟡 | 🟡 |
| Fideicomiso Irrevocable 1721 Banco Actinver, S.A., Institucion de Banca Multiple, Grupo Financiero Actinver, Division Fiduciaria (Fibra Prologis) | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |
| Fideicomiso Irrevocable Numero F00854 (Fibra Shop) | 🟢 | 🟢 | 🟢 | 🟡 | 🟡 |
| Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA) | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| Fortaleza Materiales, S.A.B. de C.V. | 🟢 | 🟡 | 🟡 | 🟡 | 🟢 |
| GCC, S.A.B. de C.V. | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |
| Genomma Lab Internacional, S.A.B., de C.V. | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| GMexico Transportes, S.A.B. de C.V. | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |
| Gruma, S.A.B. de C.V. | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |

| Sector | ESG Risk | U.S. Recession | Uncertainty from Political Risk | Interest rate, Inflation, FX | Leverage/ Refinancing Risk |
|---|---|---|---|---|---|
| Orbia Advance Corporation, S.A.B. de C.V. | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| Organizacion Soriana, S.A.B. de C.V. | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| Paccar Mexico, S.A. de C.V. | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |
| Petroleos Mexicanos (PEMEX) | 🟡 | 🟢 | 🟡 | 🟡 | 🔴 |
| Servicios Corporativos Javer, S.A.B. de C.V. | 🟢 | 🟢 | 🟡 | 🟡 | 🟢 |
| Sigma Alimentos, S.A. de C.V. | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| Sitios Latinoamerica, S.A.B. de C.V. | 🟢 | 🟢 | 🟢 | 🟡 | 🟢 |
| TV Azteca, S.A.B. de C.V. | 🔴 | 🟢 | 🟢 | 🟡 | 🔴 |
| Total Play Telecomunicaciones, S.A. de C.V. | 🟡 | 🟢 | 🟢 | 🟡 | 🟢 |

| | |
|---|---|
| **Low Risk** | 🟢 |
| **Medium Risk** | 🟡 |
| **High Risk** | 🔴 |

Source: Fitch Ratings, Fitch Solutions

# Mexican Corporates: Sector Risks Profile

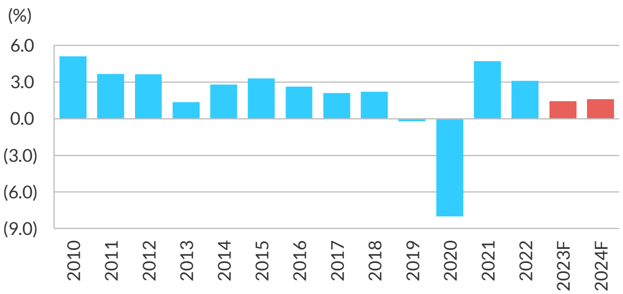
## Mexican Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (%) International Scale | National Scale | Sector Trend | Issuers' Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|---|
| Food & Beverage | 18 | 21 | → | Medium | Restaurants are pressured by recovery trends. Packaged food and beverages will continue to face raw materials cost pressure but most have strong financial flexibility. |
| Retailing | 6 | 13 | → | Medium | Profitability levels pressured by inflation. Consumer spending may be affected by inflation and fewer commercial campaigns during the year. Food retailers will continue to have strong cash flows and some will reduce debt or capex. |
| Property/Real Estate | 10 | 16 | → | Medium | Commercial properties have stable occupancy, yet a recovery in prices is still delayed. Office and hotels are still recovering. Industrial assets are expected to continue strong performance in 2023. |
| Telecommunications | 8 | 5 | → | High | Regulatory risk persists. Stable to robust demand supports business and financial profiles. Some companies have balance sheet FX exposure. |
| Building Materials & Construction | 6 | 8 | ↓ | Medium | Domestic demand is supported by the private sector. Volume is pressured by residential. Geographic diversification for issuers supports business profiles. |
| Auto & Related | 4 | 5 | → | Medium | Global demand is recovering from semiconductors and components shortages. Increased costs are being gradually transferred to prices. Competitive cost structures and solid financial profiles exist. |
| Diversified Manufacturing | 8 | 6 | → | Medium | Issuers are maintaining geographic, product line and FX diversification with adequate capital structures. |
| Chemicals | 8 | 2 | ↓ | Medium | High oil prices and robust demand. Low cost structures and strong pricing power with adequate to moderate financial profiles. |
| Natural Resources | 8 | 3 | → | Medium | Metals and commodities are experiencing high global demand and limitations in supply, which boosts prices. Capital structures should remain at the stronger end of ratings sensitivities. |
| Energy (Oil & Gas) | 8 | 2 | → | Medium to Low | A better price environment, increased regulatory risks and medium to weak capital structures. |
| Transportation | 2 | 5 | → | Medium | USMCA trade dynamics should support volume and traffic, while fuel costs pressure profitability. |
| Media & Entertainment | 4 | 3 | → | Medium | An increased competitive environment with medium to weak capital structures. A secular trend toward alternative advertising risk is present. |
| Homebuilding | 2 | 2 | → | Medium | Long-term demand fundamentals remain but are pressured by customers' disposable income and access to credit. Issuers hold adequate financial profiles. |
| Consumer | 2 | 3 | → | Medium | Issuers maintain resilient business profiles. Mexican peso depreciation pressures profitability. |
| Gaming, Lodging & Leisure | 0 | 0 | → | Low | Economic activity, competition and the pandemic affected occupation and average daily rates. Coastal locations benefit from Mexican peso depreciation. Issuers' financial profiles face pressure. |
| Utilities | 4 | 5 | → | High | Issuers maintain generally positive FCF and sound balance sheets. Increased regulatory risk. |
| Healthcare | 0 | 2 | ↑ | High | Strong demand. Continued cash flow generation and improvement in operations. |

↓ = Negative Outlook. → = Stable Outlook. ↑ = Positive Outlook.
USMCA – U.S.–Mexico–Canada Agreement
Source: Fitch Ratings, Fitch Solutions

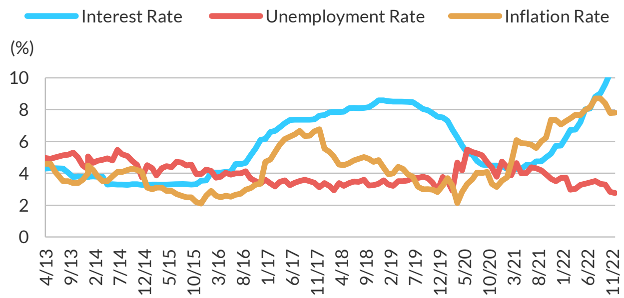
# Mexican Corporates: Key Macro Variables

## Mexican GDP Growth



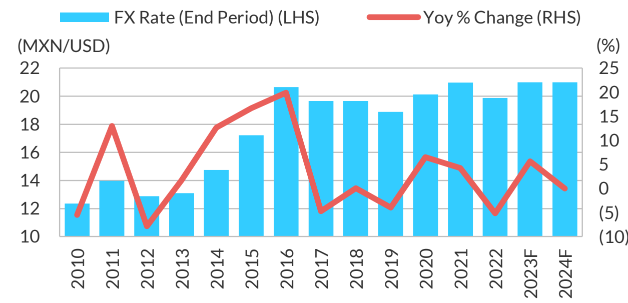

F – Forecast
Source: Fitch Ratings, Instituto Nacional de Estadistica y Geografia

## Unemployment, Inflation and Interest Rates




Source: Instituto Nacional de Estadistica y Geografia, Banxico

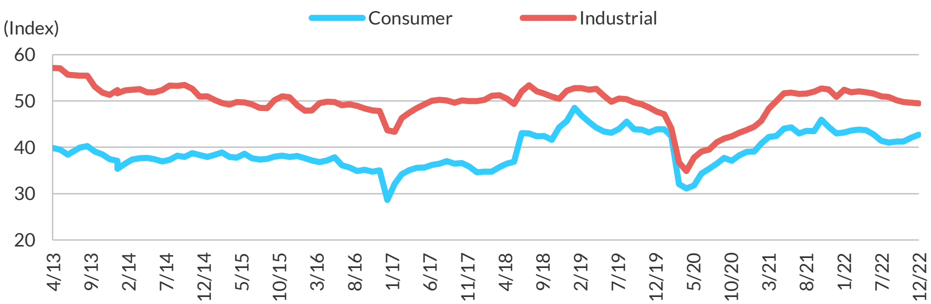
## FX Rate




F – Forecast
Source: Fitch Ratings, Banxico

## Confidence Indicators

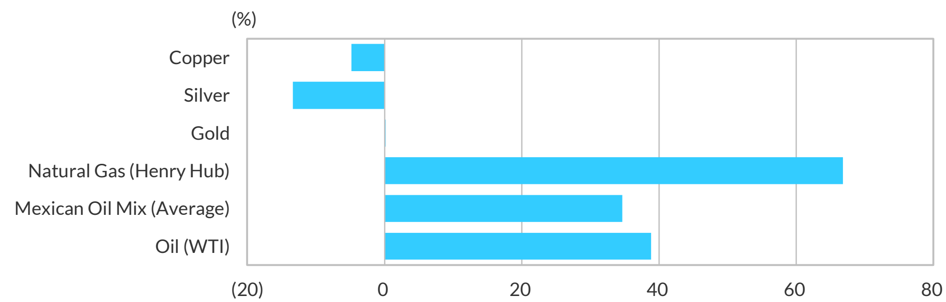
(As of Dec. 31, 2022)




Source: Instituto Nacional de Estadistica y Geografia

## Key Commodity Price Changes

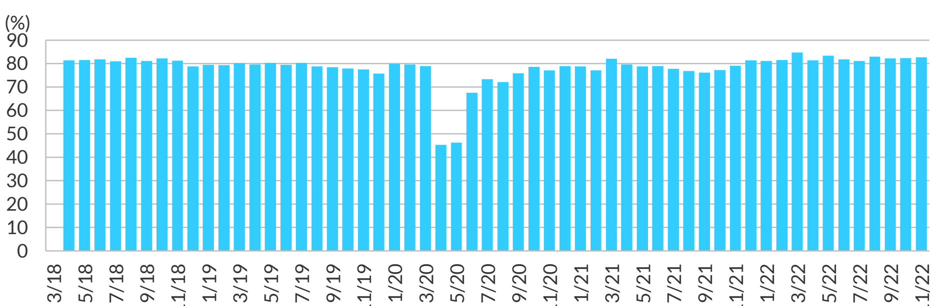
(As of Dec. 31, 2022)




WTI – West Texas Intermediate
Source: Petroleos Mexicanos, Bloomberg

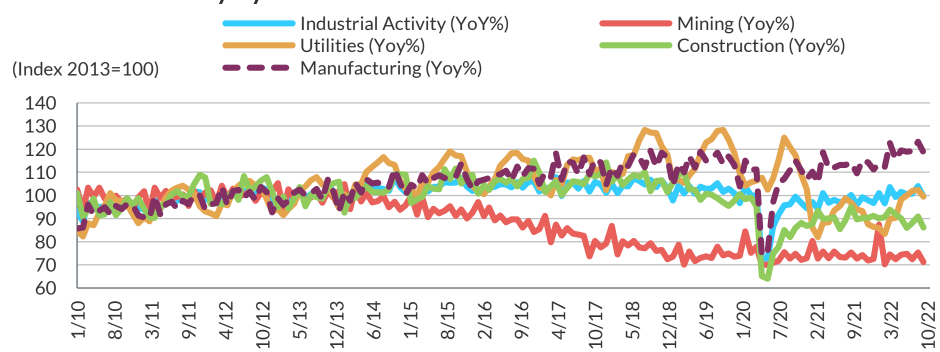
## Industrial Capacity Utilization Rate

(As of Dec. 31, 2022)




Source: Instituto Nacional de Estadistica y Geografia

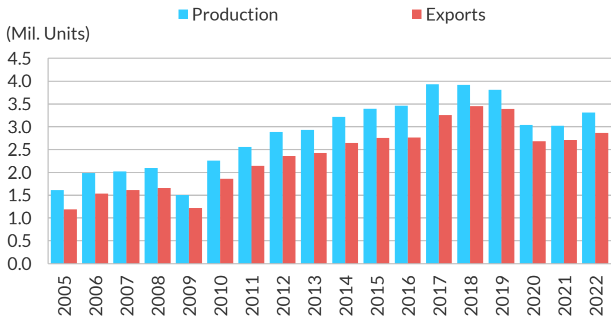
## Industrial Activity by Sector




Source: Instituto Nacional de Estadistica y Geografia

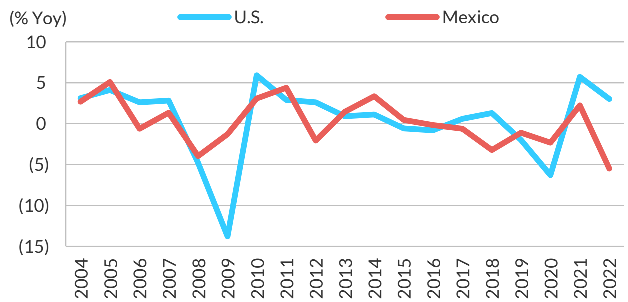
# Mexican Corporates: Industrial Indicators

### Light Vehicles
(As of Dec. 31, 2022)



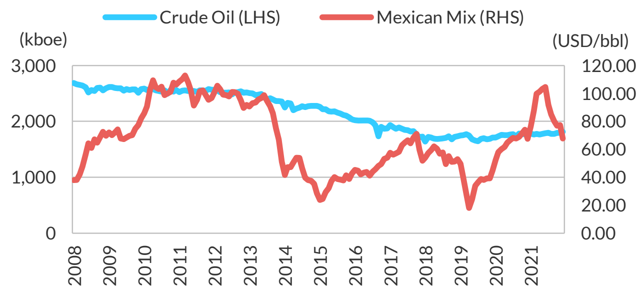

Source: Fitch Ratings, Asociacion Mexicana de la Industria Automotriz A.C., INEGI

### U.S. and Mexican Industrial Production
(As of Dec. 31, 2022)



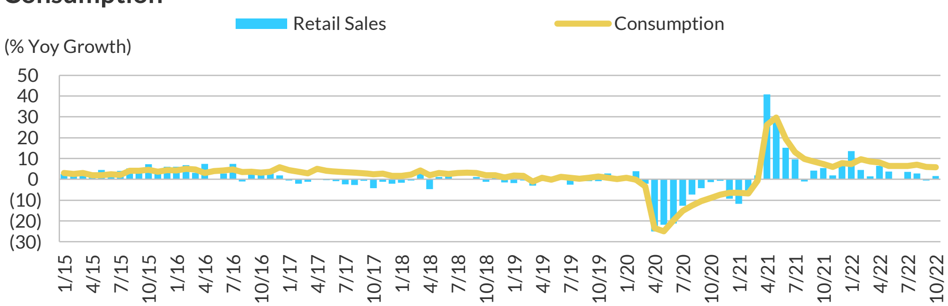

Note: U.S. figures as of December 2022. Mexican figures as of September 2022.
Source: Fitch Ratings, INEGI, U.S. Federal Reserve

### Mexican Crude Oil
(As of Dec. 31, 2022)



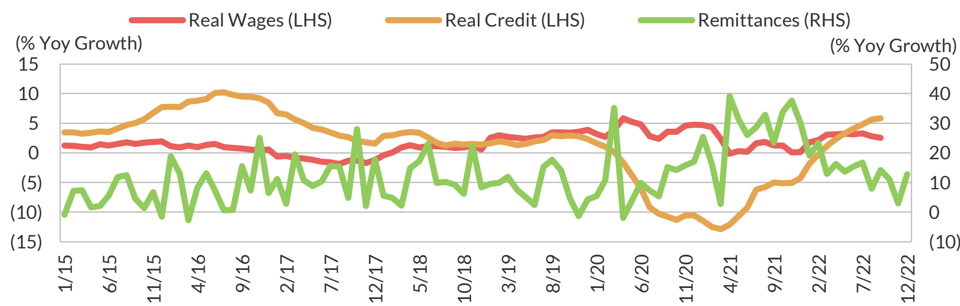

Kboe – Thousand barrels of oil equivalent. Bbl – Barrel.
Source: Petroleos Mexicanos (PEMEX)

### Consumption



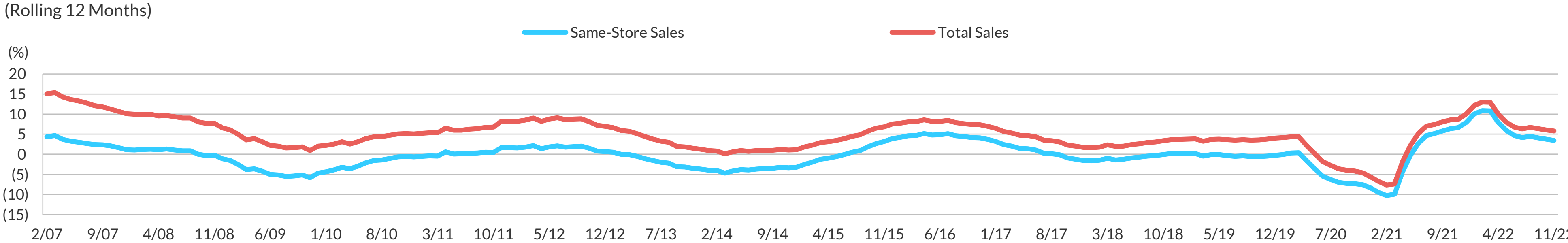

Source: Asociacion Nacional de Tiendas de Autoservicio y Departamentales A.C., Banco de Mexico, Instituto Nacional de Estadistica y Geografia

### Income




Source: Asociacion Nacional de Tiendas de Autoservicio y Departamentales A.C., Banco de Mexico, Instituto Nacional de Estadistica y Geografia

### ANTAD Real Retail Sales
(Rolling 12 Months)

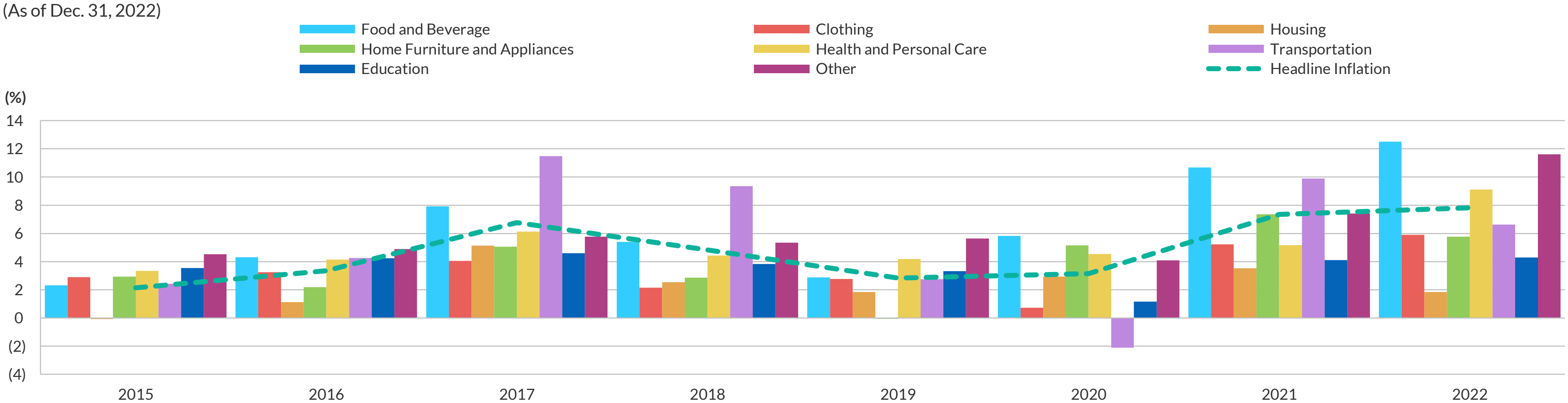



ANTAD – Asociacion Nacional de Tiendas de Autoservicio y Departamentales A.C.
Source: Asociacion Nacional de Tiendas de Autoservicio y Departamentales A.C.

# Mexican Corporates: Inflation

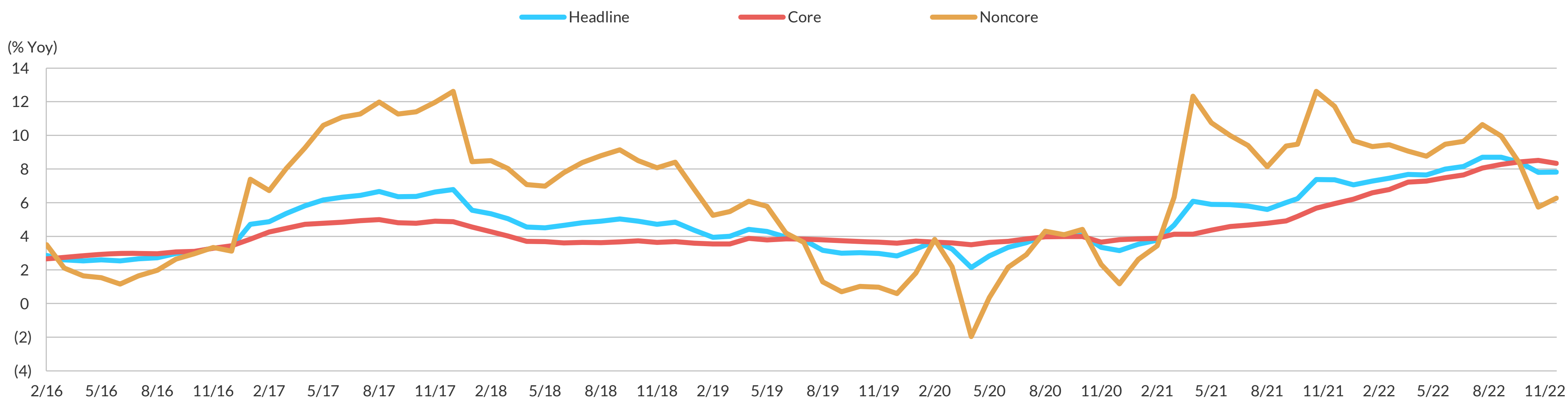
## Inflation by Group

(As of Dec. 31, 2022)




Source: Instituto Nacional de Estadistica y Geografia

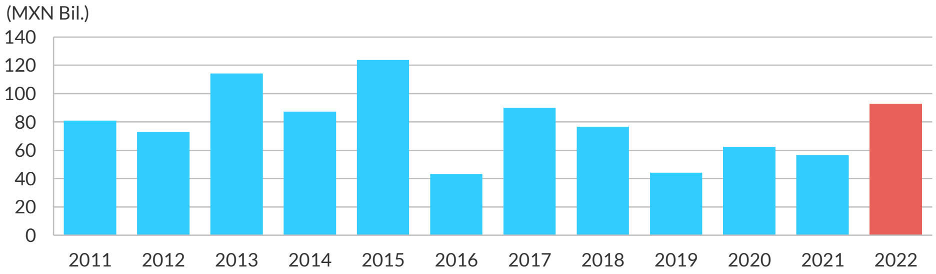
## Inflation Components




Source: Instituto Nacional de Estadistica y Geografia

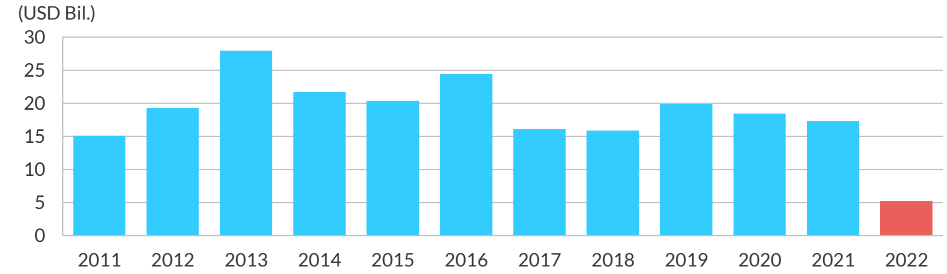
## Mexican Corporates: Credit Overview

### Corporate Issuances: Fitch Portfolio
(As of Dec. 31, 2022)



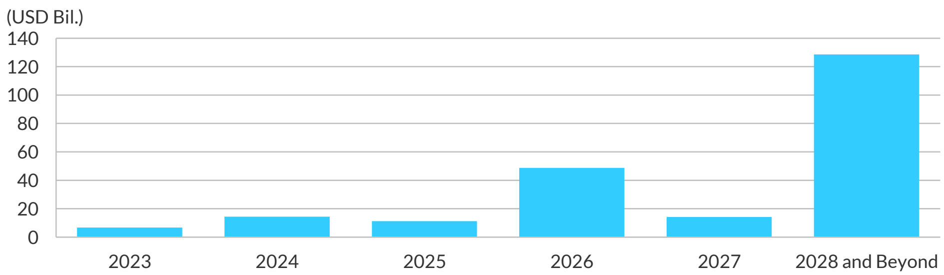

Source: Fitch Ratings, Fitch Solutions

### Cross-Border Issuances: Fitch Portfolio
(As of Dec. 31, 2022)



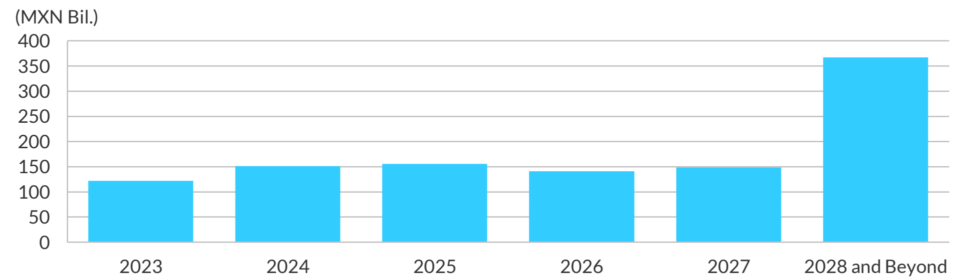

Source: Fitch Ratings, Fitch Solutions

### Cross-Border Bond Maturities
(As of Dec. 31, 2022)



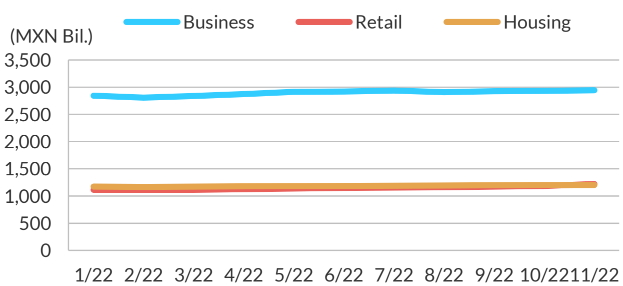

Source: Bloomberg L.P.

### Local Bond Maturities
(As of Dec. 31, 2022)



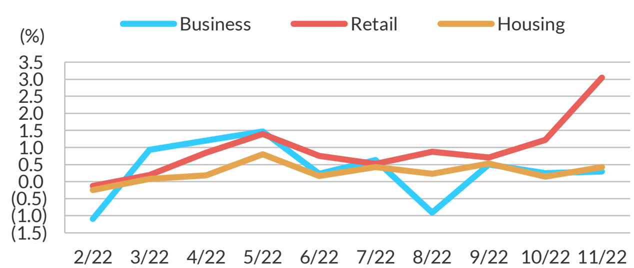

Source: Bloomberg L.P.

### Bank Loans Portfolio: Constant Prices



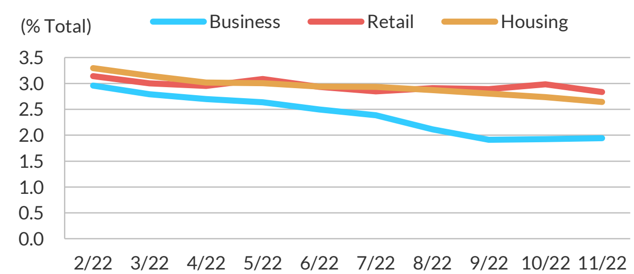

Note: Since 1Q22, data is IFRS9 and is not comparable with previous years
Source: Comision Nacional Bancaria y de Valores

### Bank Loans Portfolio: Month Over Month




Note: Since 1Q22, data is IFRS9 and is not comparable with previous years
Source: Comision Nacional Bancaria y de Valores

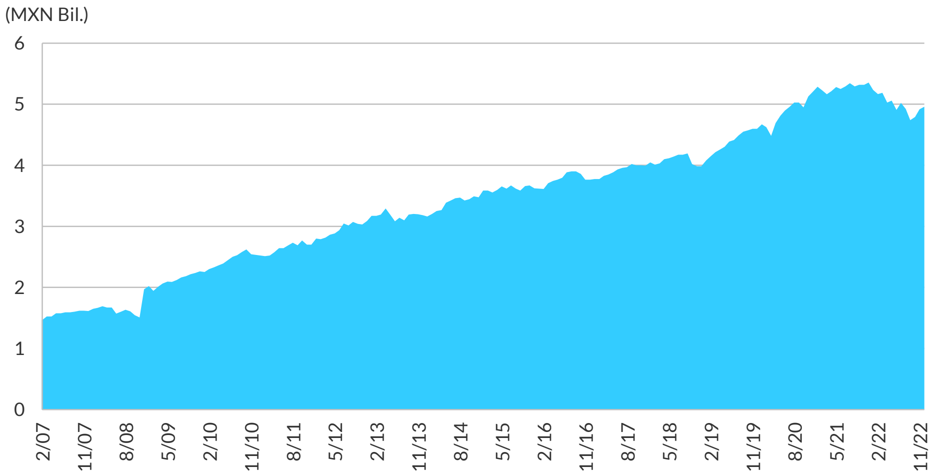
### Portfolio Delinquency Rate: Total




Note: Since 1Q22, data is IFRS9 and is not comparable with previous years
Source: Comision Nacional Bancaria y de Valores

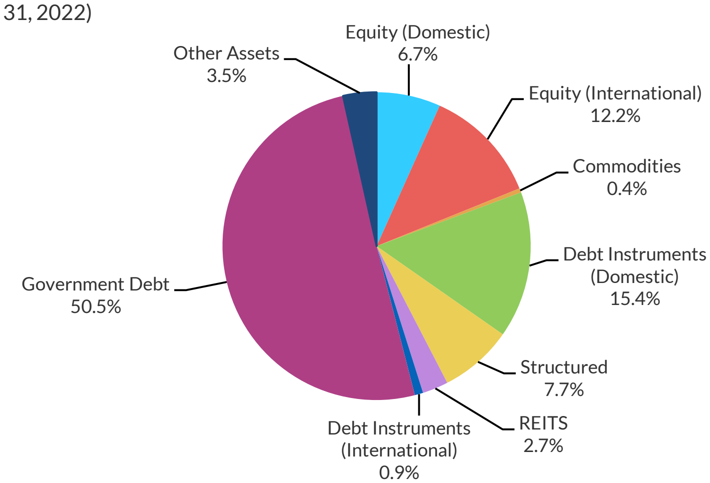
# Mexican Corporates: Credit Overview

### Pension Funds Balance: Constant Prices




Source: Banco de Mexico

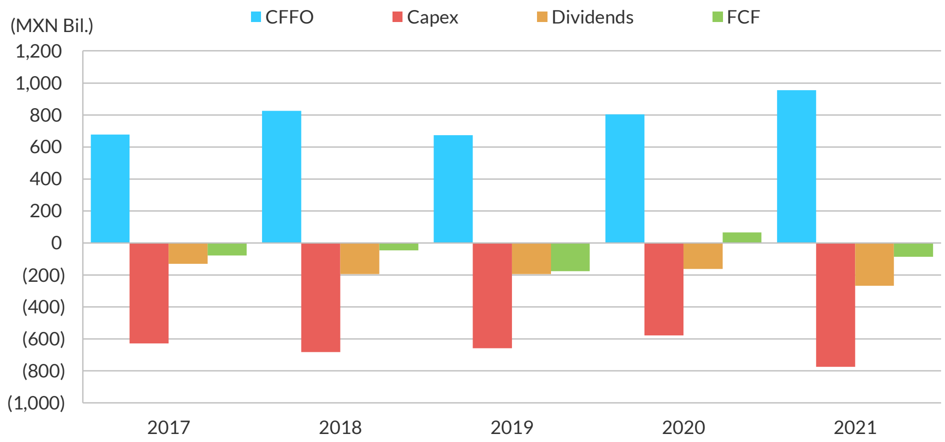
### Pension Funds
(As of Dec. 31, 2022)




Source: Comision Nacional del Sistema de Ahorro para el Retiro

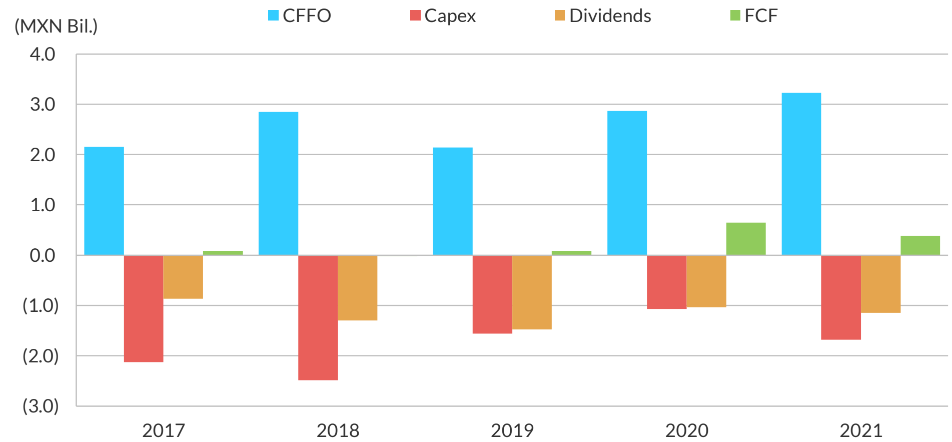
# Mexican Corporates: Financial Profile

## Aggregate Cash Flow Performance: Mexican Corporate Ratings (Fitch Portfolio)



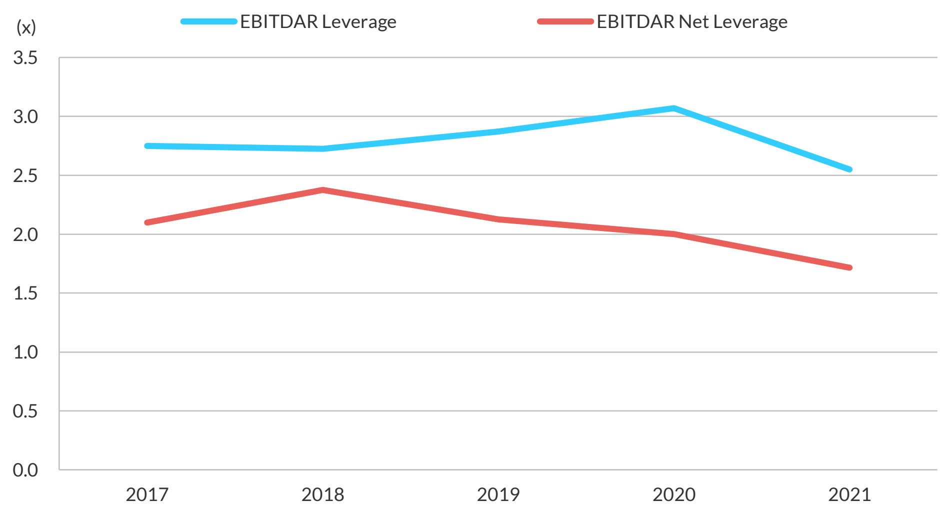

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

## Median Cash Flow Performance: Mexican Corporate Ratings (Fitch Portfolio)



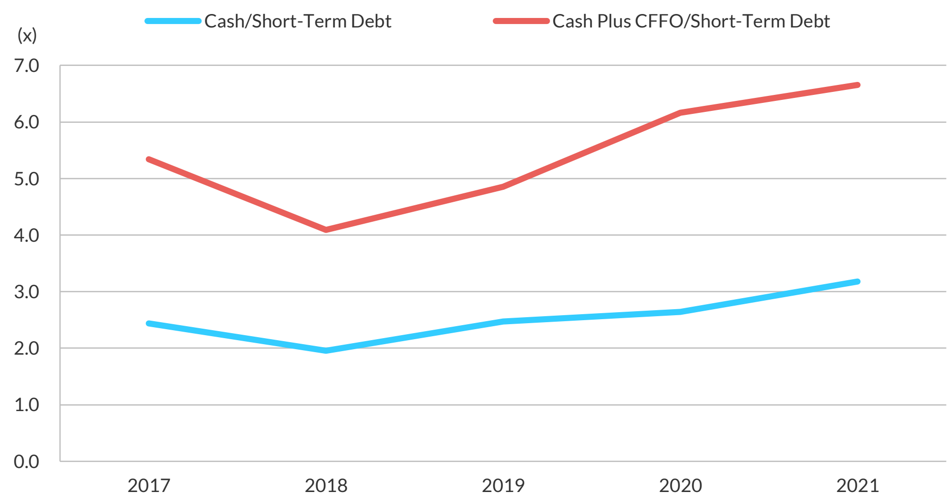

CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

## Median Leverage: Mexican Corporate Ratings (Fitch Portfolio)




Source: Fitch Ratings, Fitch Solutions

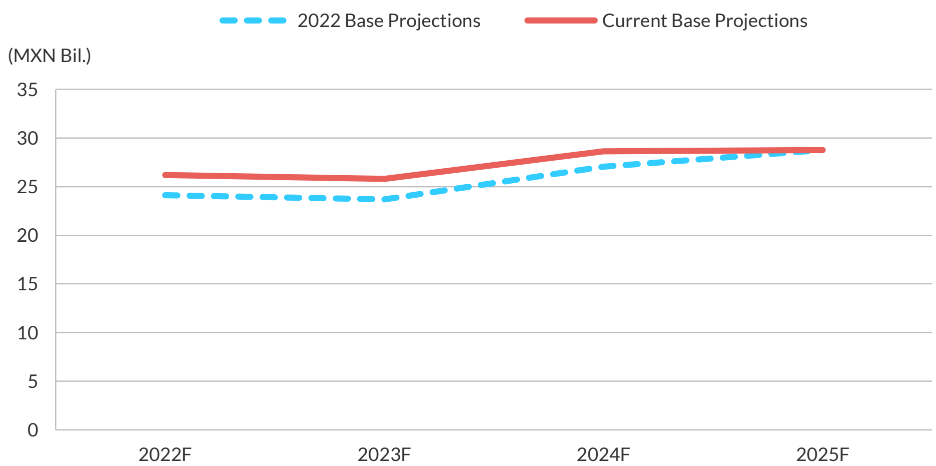
## Median Liquidity: Mexican Corporate Ratings (Fitch Portfolio)




CFFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

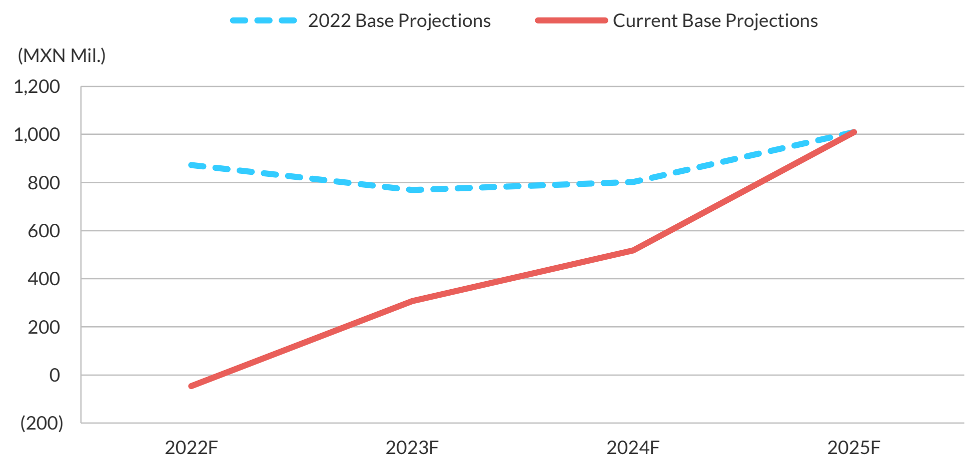
## Mexican Corporates Portfolio: Fitch Forecasts

### Median Revenue



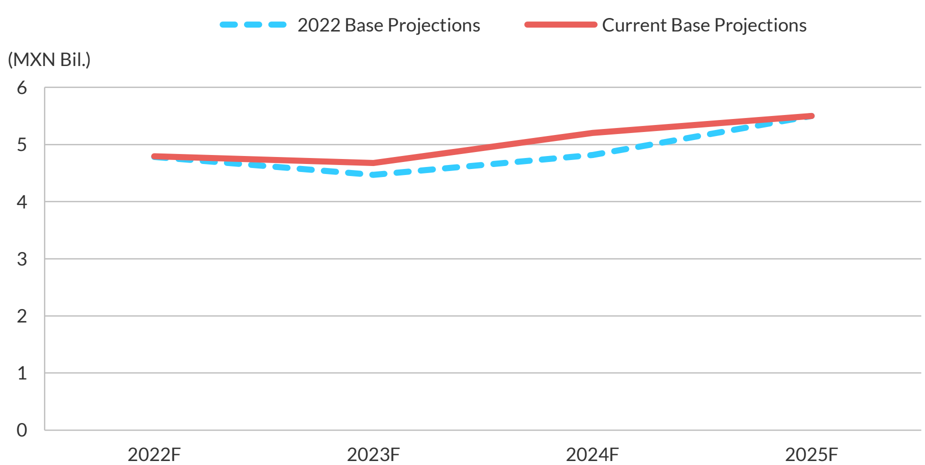

F – Forecast. Note: Since 2022, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

### Median FCF



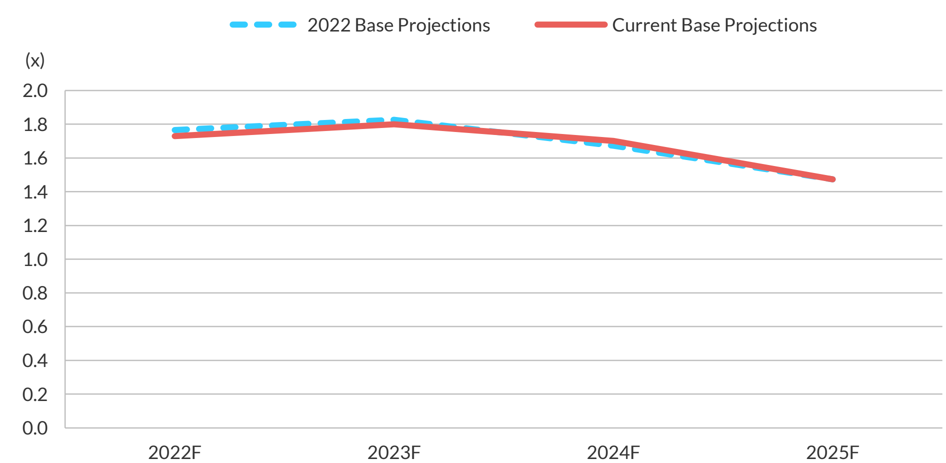

F – Forecast. Note: Since 2022, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

### Median EBITDA




F – Forecast. Note: Since 2022, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

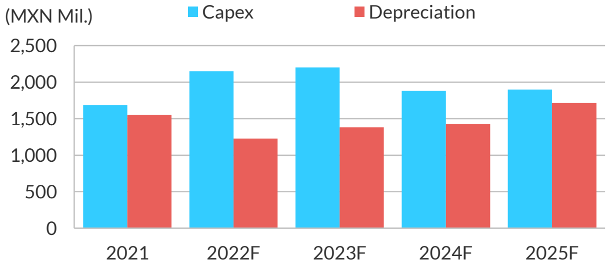
### Median EBITDAR Net Leverage




F – Forecast. Note: Since 2022, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

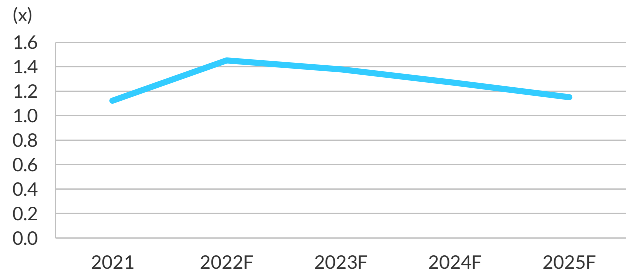
# Mexican Corporates: Depreciation, Capex and Exports

## Median Capex and Depreciation




F - Forecast. Note: Since 2Q22, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

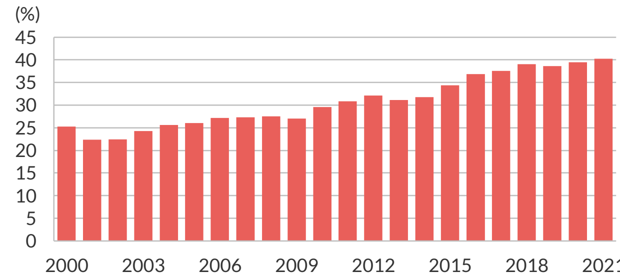
## Median Capex/Depreciation




F - Forecast. Note: Since 2Q22, projections are generated from FDR
Source: Fitch Ratings, Fitch Solutions

## Exports

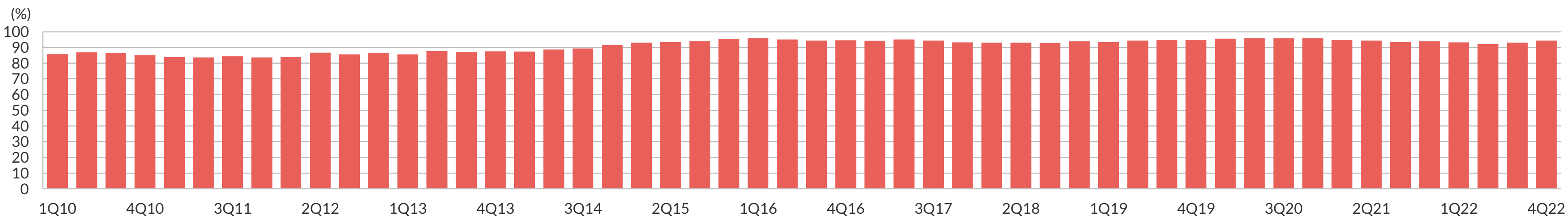
(% of GDP)




Source: World Bank

## Non-Oil Exports

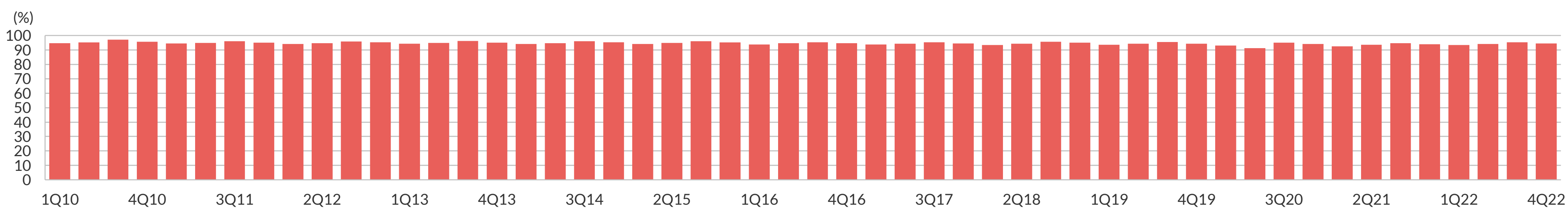
(% of Exports)




Source: INEGI

## Manufacturing Exports

(% of Non-Oil Exports)




Source: INEGI

## Mexican Corporates: Key Statistics

| (MXN Mil.) | | | Operating EBITDAR After Associates and Minorities | | Cash Flow from Operations | | EBITDAR Net Leverage (x) | | LTM 9/30/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | LT IDR | NLTR | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | Cash and Marketable Securities | Short-Term Debt | Lease-Adjusted Debt |
| AC Bebidas, S de R.L. de C.V. | A | AAA(mex) | 30,834 | 33,757 | 25,506 | 29,320 | 0.5 | 0.3 | 32,528 | 3,587 | 41,689 |
| Alfa S.A.B. de C.V. | BBB– | N.A. | 34,400 | 38,909 | 14,921 | 15,215 | 2.5 | 2.3 | 25,109 | 11,753 | 116,295 |
| Alpek, S.A.B. de C.V. | BBB– | N.A. | 20,639 | 28,665 | 9,852 | 12,810 | 1.0 | 1.2 | 9,001 | 9,159 | 42,289 |
| Alsea, S.A.B. de C.V. | BB | A+(mex) | 12,311 | 14,492 | 5,733 | 7,015 | 4.8 | 3.0 | 5,128 | 762 | 49,315 |
| America Movil S.A.B. de C.V. | A– | AAA(mex) | 296,062 | 293,278 | 210,206 | 155,047 | 1.8 | 1.7 | 27,679 | 144,073 | 519,211 |
| Ammper Energia, S.A.P.I. de C.V. | N.A. | AA–(mex) | 379 | 595 | 146 | 238 | -0.7 | -0.8 | 455 | 0 | 0 |
| Arca Continental, S.A.B. de C.V. | A | AAA(mex) | 31,693 | 37,204 | 25,232 | 30,080 | 0.6 | 0.4 | 34,346 | 6,637 | 49,209 |
| Axtel, S.A.B. de C.V. | BB– | A–(mex) | 3,484 | 2,796 | 1,982 | 2,296 | 3.2 | 3.9 | 1,499 | 248 | 12,319 |
| Banamex Fibra Danhos, Fideicomiso 17416-3 | N.A. | AAA(mex) | 3,074 | 3,482 | 3,071 | 3,724 | 1.7 | 1.7 | 158 | 0 | 5,938 |
| Banco Invex, S.A. Fideicomiso F/2157 (Fibra MTY) | BB+ | AA(mex) | 1,013 | 1,126 | 868 | 1,108 | 4.4 | 0.9 | 4,437 | 0 | 5,444 |
| Becle, S.A.B. de C.V. | BBB+ | N.A. | 7,714 | 9,440 | 3,545 | -1,531 | 0.8 | 1.4 | 5,794 | 232 | 18,565 |
| Bepensa Bebidas, S.A. de C.V. | N.A. | AAA(mex) | 2,415 | 2,693 | 2,522 | 2,380 | 0.9 | 0.9 | 391 | 191 | 2,831 |
| Bepensa, S.A. de C.V. | BBB | AAA(mex) | 3,779 | 4,061 | 5,713 | 4,799 | 1.4 | 2.7 | 3,102 | 2,866 | 13,876 |
| Betterware de Mexico, S.A.P.I. de C.V. | N.A. | AA(mex) | 2,740 | 2,014 | 1,451 | 289 | 0.1 | 3.1 | 472 | 623 | 6,622 |
| Braskem Idesa SAPI | BB– | N.A. | 12,460 | 8,457 | 6,883 | 4,477 | 3.1 | 4.3 | 8,043 | 523 | 44,640 |
| CEMEX, S.A.B. de C.V. | BB+ | AA–(mex) | 50,964 | 50,802 | 36,276 | 33,493 | 3.2 | 3.1 | 7,973 | 16,512 | 164,281 |
| CIB/572 Fibra Storage | N.A. | AA–(mex) | 207 | 220 | 95 | 13 | 2.5 | 3.8 | 653 | 0 | 1,482 |
| CIBANCO, S.A., Institucion de Banca Multiple, Trust F/00939 (Fibra Terrafina) | BBB– | N.A. | 2,790 | 2,961 | 1,864 | 1,808 | 6.6 | 5.5 | 918 | 138 | 17,133 |
| CIBanco, S.A., Institucion de Banca Multiple, Fideicomiso F/1596 Fibra Hotel | N.A. | A+(mex) | 625 | 1,189 | 338 | 686 | 7.2 | 3.6 | 422 | 0 | 4,718 |
| CIBanco, S.A., Institucion de Banca Multiple, Fideicomiso Numero CIB/3332 (Fibra Soma) | BBB– | N.A. | 854 | 1,287 | 373 | 416 | 7.3 | 7.7 | 3,301 | 206 | 13,154 |
| Coca-Cola FEMSA, S.A.B. de C.V. | A | AAA(mex) | 36,080 | 38,339 | 28,336 | 28,398 | 1.0 | 0.9 | 39,206 | 8,673 | 73,199 |
| Comercializadora Circulo CCK, S.A. de C.V. | N.A. | A(mex) | 1,189 | 1,520 | 477 | 722 | 3.2 | 2.5 | 619 | 1,443 | 4,354 |
| Comision Federal de Electricidad (CFE) | BBB– | AAA(mex) | 21,306 | 6,591 | -12,467 | -21,729 | 19.6 | 72.6 | 78,857 | 114,485 | 557,106 |
| Consorcio Ara, S.A.B. de C.V. | N.A. | A+(mex) | 770 | 741 | 831 | 259 | -1.7 | -1.4 | 2,950 | 43 | 1,901 |
| Controladora Mabe S.A. de C.V. (Mabe) | BBB | N.A. | 8,547 | 9,013 | 4,078 | 5,605 | 0.9 | 1.2 | 2,733 | 4,457 | 13,357 |
| Corporacion Inmobiliaria Vesta S.A.B. de C.V. | BBB– | N.A. | 2,691 | 2,788 | 1,297 | 1,270 | 3.7 | 4.8 | 5,435 | 63 | 18,736 |
| Corporacion Interamericana de Entretenimiento (CIE) | N.A. | AA–(mex) | 440 | 844 | -2,049 | -1,536 | -3.8 | -2.9 | 2,425 | 4 | 7 |
| Cydsa, S.A.B. de C.V. | BB+ | N.A. | 2,826 | 3,351 | 1,003 | 1,175 | 3.6 | 3.3 | 2,806 | 106 | 13,808 |
| Desarrollos Hidraulicos de Cancun, S.A. de C.V. | N.A. | AA+(mex) | 1,249 | 1,100 | 314 | 129 | 0.0 | 1.5 | 22 | 1,648 | 1,648 |
| El Puerto de Liverpool, S.A.B. de C.V. | BBB+ | AAA(mex) | 23,989 | 29,233 | 20,480 | 13,566 | -0.7 | 0.1 | 13,187 | 0 | 15,068 |

## Mexican Corporates: Key Statistics

| (MXN Mil.) | | | Operating EBITDAR After Associates and Minorities | | Cash Flow from Operations | | EBITDAR Net Leverage (x) | | LTM 9/30/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | LT IDR | NLTR | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | Cash and Marketable Securities | Short-Term Debt | Lease-Adjusted Debt |
| Ferrocarril Mexicano, S.A. de C.V. | N.A. | AAA(mex) | 14,440 | 14,227 | 13,238 | 11,587 | -0.2 | 1.0 | 1,696 | 1,500 | 16,273 |
| Fideicomiso 2870 Fibra Nova | N.A. | AA–(mex) | 625 | 877 | 582 | 851 | 7.2 | 6.6 | 69 | 1,229 | 5,843 |
| Fideicomiso Fibra Uno | BBB– | AAA(mex) | 16,540 | 17,747 | 12,159 | 13,967 | 7.9 | 7.7 | 4,575 | 17,331 | 141,087 |
| Fideicomiso Irrevocable 1721 Banco Actinver, S.A., Institucion de Banca Multiple, Grupo Financiero Actinver, Division Fiduciaria (Fibra Prologis) | BBB | AAA(mex) | 4,750 | 3,129 | 3,269 | 2,794 | -0.6 | 7.2 | 672 | 2,238 | 23,353 |
| Fideicomiso Irrevocable DB/1616 Fibra Inn | N.A. | BBB+(mex) | 147 | 427 | -51 | 45 | 25.2 | 8.9 | 281 | 49 | 4,095 |
| Fideicomiso Irrevocable Numero F00854 (Fibra Shop) | N.A. | A+(mex) | 1,050 | 1,152 | 343 | 438 | 8.7 | 8.2 | 294 | 3,650 | 9,755 |
| Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA) | A | AAA(mex) | 81,872 | 85,291 | 52,320 | 49,472 | 2.1 | 1.8 | 101,067 | 17,140 | 258,780 |
| Fortaleza Materiales, S.A.B. de C.V. | BB | A(mex) | 5,406 | 3,318 | 1,114 | 1,948 | 1.4 | 3.1 | 945 | 1,067 | 11,070 |
| GCC, S.A.B. de C.V. | BBB– | N.A. | 6,667 | 6,792 | 6,757 | 6,792 | -0.4 | -0.7 | 14,707 | 0 | 9,978 |
| GMexico Transportes, S.A.B. de C.V. | N.A. | AAA(mex) | 483,492 | 20,174 | 528,706 | 12,626 | -0.6 | 1.4 | 12,550 | 3,217 | 40,428 |
| Genomma Lab Internacional, S.A.B., de C.V. | N.A. | AA+(mex) | 3,110 | 3,432 | 1,057 | 2,016 | 1.5 | 1.2 | 1,048 | 4,138 | 5,109 |
| Gruma, S.A.B. de C.V. | BBB+ | AAA(mex) | 13,485 | 13,687 | 9,184 | 2,659 | 1.4 | 1.9 | 4,660 | 5,297 | 30,536 |
| Grupo AXO, S.A.P.I. de C.V. | BB | A+(mex) | 2,768 | 3,507 | 940 | 836 | 3.2 | 3.3 | 3,089 | 0 | 14,579 |
| Grupo Bimbo, S.A.B. de C.V. | BBB | AAA(mex) | 42,338 | 45,812 | 34,734 | 33,580 | 2.1 | 2.1 | 7,327 | 6,293 | 104,357 |
| Grupo Carso, S.A. de C.V. | N.A. | AAA(mex) | 31,765 | 22,490 | 18,082 | 6,673 | -0.4 | 1.3 | 15,936 | 16,895 | 44,990 |
| Grupo Collado, S.A. de C.V. | N.A. | BB(mex) | 1,452 | 708 | -69 | 627 | 1.0 | 1.7 | 220 | 786 | 1,393 |
| Grupo Comercial Chedraui, S.A.B. de C.V. | N.A. | AA+(mex) | 14,149 | 19,985 | 11,952 | 11,565 | 2.4 | 2.2 | 5,792 | 0 | 49,968 |
| Grupo Elektra, S. A. B. de C. V. | BB | A+(mex) | 22,114 | 21,046 | 18,643 | -11,461 | -3.5 | -2.4 | 126,041 | 13,768 | 75,218 |
| Grupo Herdez, S.A.B. de C.V. | N.A. | AA(mex) | 3,867 | 4,306 | 244 | 1,444 | 2.7 | 2.4 | 4,703 | 250 | 14,869 |
| Grupo Industrial Saltillo, S.A. de C.V. | N.A. | AA–(mex) | 2,384 | 2,393 | 2,140 | 1,529 | 1.5 | 1.7 | 1,302 | 893 | 5,450 |
| Grupo KUO, S.A.B. de C.V. | BB | A(mex) | 4,831 | 3,596 | 2,970 | 185 | 2.4 | 3.6 | 1,880 | 1,074 | 14,867 |
| Grupo Lala, S.A.B. de C.V. | N.A. | AA–(mex) | 7,308 | 7,343 | 4,820 | 5,351 | 3.1 | 2.9 | 4,968 | 2,512 | 26,083 |
| Grupo Lamosa, S.A.B. de C.V. | N.A. | AA(mex) | 7,175 | 7,942 | 4,987 | 3,899 | 0.9 | 1.1 | 1,206 | 731 | 10,304 |
| Grupo Mexico, S.A.B. de C.V. | BBB+ | N.A. | 178,105 | 145,079 | 120,331 | 95,086 | 0.3 | 0.4 | 114,658 | 10,157 | 174,958 |
| Grupo Palacio de Hierro, S.A.B. de C.V. | N.A. | AAA(mex) | 4,026 | 5,953 | 3,195 | 2,348 | -0.1 | 0.3 | 4,940 | 1,004 | 6,737 |
| Grupo Pochteca, S.A.B. de C.V. | N.A. | A–(mex) | 597 | 721 | 24 | -275 | 1.6 | 1.7 | 282 | 415 | 1,525 |
| Grupo Rotoplas, S.A.B. de C.V. | N.A. | AA(mex) | 1,360 | 1,758 | -165 | 326 | 1.7 | 1.8 | 996 | 97 | 4,096 |
| Grupo Sanborns, S.A.B. de C.V. | N.A. | AAA(mex) | 6,965 | 6,542 | 2,832 | 2,728 | -1.2 | 0.1 | 6,381 | 0 | 7,313 |
| Grupo Televisa S.A.B. | BBB+ | AAA(mex) | 38,766 | 30,342 | 19,878 | 329 | 2.7 | 1.9 | 53,913 | 1,664 | 111,240 |
| Grupo Traxion, S.A.B. de C.V. | N.A. | A+(mex) | 2,970 | 3,321 | 2,013 | 2,240 | 1.9 | 2.6 | 644 | 1,011 | 9,253 |
| Grupo Vasconia, S.A.B. | N.A. | A–(mex) | 501 | 302 | -49 | 576 | 3.0 | 4.4 | 455 | 552 | 1,770 |

## Mexican Corporates: Key Statistics

| (MXN Mil.) | | | Operating EBITDAR After Associates and Minorities | | Cash Flow from Operations | | EBITDAR Net Leverage(x) | | LTM 9/30/22 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | LT IDR | NLTR | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | 12/31/21 | LTM 9/30/22 | Cash and Marketable Securities | Short-Term Debt | Total Adjusted Debt |
| Industrias Bachoco, S.A.B. de C.V. | N.A. | AAA(mex) | 7,318 | 10,167 | 6,032 | 4,339 | -2.6 | -1.6 | 20,392 | 982 | 3,978 |
| Industrias Penoles, S.A.B. de C.V. | BBB | N.A. | 34,863 | 23,331 | 21,240 | 18,593 | 0.7 | 1.1 | 34,005 | 2,219 | 59,443 |
| Infraestructura Energetica Nova, S.A.P.I. de C.V. | BBB+ | N.A. | 17,414 | 17,769 | 13,589 | 12,094 | 4.0 | 3.0 | 1,782 | 12,713 | 55,135 |
| Inmobiliaria Ruba S.A. de C.V. | N.A. | AA–(mex) | 1,762 | 1,917 | 903 | 286 | -1.1 | -0.8 | 1,562 | 42 | 42 |
| Inmuebles Carso, S.A. de C.V. | N.A. | AA+(mex) | 2,647 | 3,221 | 2,741 | 3,143 | 1.8 | 0.8 | 1,326 | 0 | 3,993 |
| Kimberly Clark de Mexico, S.A.B. de C.V. | A | AAA(mex) | 9,898 | 9,636 | 4,742 | 5,866 | 1.3 | 1.4 | 18,114 | 1,985 | 31,470 |
| Medica Sur, S.A.B. de C.V. | N.A. | AA(mex) | 1,125 | 434 | 988 | 46 | -2.2 | -0.4 | 1,187 | 2 | 996 |
| Megacable Holdings, S.A.B. de C.V. | N.A. | AAA(mex) | 11,860 | 12,463 | 10,791 | 9,256 | 0.4 | 0.8 | 1,474 | 518 | 10,969 |
| Metalsa S.A.P.I. de C.V. | BBB– | N.A. | 6,625 | 7,424 | 3,085 | 4,627 | 0.7 | 0.8 | 2,489 | 2,348 | 8,322 |
| Minera Frisco, S.A.B. de C.V. | N.A. | A–(mex) | 4,978 | 4,790 | 2,831 | 3,881 | 0.6 | 0.6 | 1,997 | 5,000 | 5,000 |
| Minera Mexico, S.A. de C.V. | BBB+ | N.A. | 87,814 | 71,003 | 60,102 | 39,375 | 0.0 | 0.0 | 18,952 | 0 | 20,689 |
| Molibdenos y Metales S.A. (Molymet) | BBB | AAA(mex) | 3,606 | 2,884 | 3,844 | 2,889 | -0.9 | 1.8 | 3,830 | 1,769 | 9,004 |
| Naturgy Mexico, S.A. de C.V. | N.A. | AAA(mex) | 4,964 | 5,090 | 4,067 | 2,693 | 1.6 | 2.0 | 1,078 | 1,164 | 11,242 |
| Nemak, S.A.B. de C.V. | BBB– | AA(mex) | 10,810 | 11,327 | 5,377 | 10,503 | 2.3 | 2.2 | 4,693 | 4,880 | 29,348 |
| Nueva Elektra del Milenio, S.A. de C.V. | BB | N.A. | 6,081 | 3,074 | -3,275 | 3,877 | 2.1 | 4.8 | 15,054 | 2,112 | 29,875 |
| Operadora de Sites Mexicanos, S.A.B. de C.V. | BBB | AAA(mex) | 4,170 | 5,345 | 4,783 | 3,059 | 3.6 | 2.8 | 5,470 | 700 | 20,309 |
| Orbia Advance Corporation, S.A.B. de C.V. | BBB | AAA(mex) | 41,641 | 41,667 | 18,912 | 17,323 | 1.6 | 1.8 | 18,027 | 25,335 | 94,166 |
| Organizacion Soriana, S.A.B. de C.V. | N.A. | AA+(mex) | 12,253 | 12,521 | 9,346 | 7,464 | 1.4 | 1.9 | 1,904 | 800 | 25,582 |
| Paccar Mexico, S.A. de C.V. | N.A. | AAA(mex) | 1,261 | 1,978 | 4,460 | 2,028 | -1.6 | -1.1 | 2,695 | 469 | 469 |
| Petroleos Mexicanos (PEMEX) | BB– | N.A. | 480,208 | 798,663 | 21,044 | 224,869 | 4.5 | 2.6 | 62,271 | 420,323 | 2,132,813 |
| Servicios Corporativos Javer, S.A.B. de C.V. | BB– | A(mex) | 1,176 | 1,078 | 780 | 894 | -1.2 | 0.9 | 1,391 | 735 | 2,384 |
| Sigma Alimentos, S.A. de C.V. | BBB | AAA(mex) | 14,170 | 13,036 | 9,436 | 6,624 | 2.2 | 2.4 | 14,188 | 0 | 45,399 |
| TV Azteca, S.A.B. de C.V. | RD | N.A. | 3,442 | 3,647 | 2,692 | 2,118 | 2.3 | 1.9 | 2,803 | 8,145 | 9,839 |
| Total Play Telecomunicaciones, S.A.P.I. de C.V. | BB– | N.A. | 12,020 | 13,966 | 7,998 | 12,180 | -0.3 | 3.9 | 1,272 | 9,236 | 55,802 |

LT IDR – Long-Term Issuer Default Rating. NLTR – National Long-Term Rating. N.A. – Not applicable. RD – Rating Default.
Note: Ratings reflect the last assigned rating as of Feb. 27, 2023
Source: Fitch Rating, Fitch Solutions.

## Related Research

Latin American Corporates Spotlight Series: Mexico (Strong Liquidity in a Challenging Environment) (February 2023)

Latin American Corporates Outlook 2023 (November 2022)

What Investors Want to Know: Mexican Credit Cards (Department Stores and Bank Credit Cards Are Resilient in the Current Economic Environment) (October 2022)

## Analysts

**Alberto Moreno**
+52 81 4161-7033
alberto.moreno@fitchratings.com

**Victor Chinas**
+52 81 4161-7070
victor.chinas@fitchratings.com

# Peruvian Corporate Credit Indicators: Fourth-Quarter 2022

## Subdued Economy Drives Downgrades

**Manageable Refinancing Needs:** Fitch Ratings forecasts limited international corporate debt market activity in 2023 in Peru (BBB/Negative). About 62% of total outstanding corporate debt is linked to U.S. bond issuance and most international debt maturities are due after 2025. Less than 8% of corporate bonds are due in 2023–2024. Bank debt serves as a second source of financing after bonds for issuers rated by Fitch in Peru and accounts for the main refinancing needs in 2023.

The local bond market appears to be a limited source of financing at less than 10% of bonds issued. We estimate USD3.1 billion of total debt is due in the next two years, of which less than USD1.6 billion is corporate bank debt. This situation is manageable, as the stock of commercial corporate loans in Peru was USD59 billion, of which USD23 billion is in foreign currency as of October 2022.

**Stable Outlooks Prevail:** In the Fitch rated Peruvian corporate portfolio, 67% of issuers had Stable Outlooks, 21% had Negative Outlooks and 12% had Positive Outlooks as of Feb. 27, 2023. Most issuers are in the 'BBB' (54%) to 'BB' (33%) categories. The leverage profile remains relatively solid, with forecast median net debt/EBITDA of 2.8x in 2022, the best in five years.

**Downgrades Continue:** New debt, inflationary pressures and supply chain interruptions led to five Peruvian downgrades in 2022. Telefonica del Peru S.A.A. was downgraded to 'BB–' from 'BB' on Feb. 27, 2023 due to tax liabilities that could materially increase leverage from financing needs. Compania de Minas Buenaventura S.A.A. was downgraded to 'BB–' from 'BB' due to weaker than expected production and higher costs following revised mine plans and elevated leverage metrics.

**Interest Rates Stabilize:** Peru's central bank held interest rates at 7.75% in February 2023, the first time rates were not raised since 2H21. Inflation rose to 8.70% and inflation without food and energy grew to 5.80% as of January 2023 from a year earlier. The 12-month forecast inflation expectations rose to 4.62% in January from 4.30% in December but remains above the 2.00% target.

**Growth Stalls:** Peru's economy grew 2.7% in 2022, versus Fitch's forecast of 2.5%, with yoy growth slowing to 0.9% in December from 1.7% in November. The mining and hydrocarbon sectors output grew by 9.3% yoy in December.

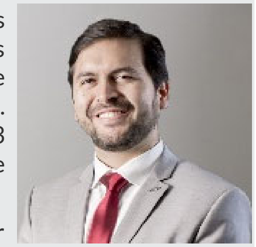
**Subdued Economic Outlook:** Weakened investment and economic prospects, if sustained in 2023 and 2024, as Fitch forecasts, could undermine the sovereign's macro and fiscal trajectory, relative to 'BBB' peers. Tighter monetary and fiscal policies slowed domestic demand. We forecast GDP growth will average 2% in 2023–2024, below the 'BBB' median average of 2.8%.

**Depressed Business and Consumer Expectations:** All business expectations fell in January 2023. The Central Bank Business Expectations Survey Index for growth in the next three months was 39.7 and current demand to expectations was 34.4, low and pessimistic.

Figures of less than 50 suggest upcoming GDP contraction with correlations above 65% in the three periods ahead. The Apoyo Indicca Consumer Confidence Index reading in February was 37, which is seven points lower than in January, endangering an incipient recovery. These figures are similar to those seen in previous crises, such as in 2020 or 2008.

"The causes of social unrest in Peru are manifold but the main trigger is political and the problems are geographically focused. Hence, the effects are unevenly distributed. Most corporate downgrades anticipated the current wave of disruptions and refinancing needs appear manageable. However, while active road blockades are down to six as of Feb. 27, 2023 from a high of 127 on Jan. 19, 2023 and the pro-business tenets of the Peruvian legal framework remain, there is no clear way out of the crisis."

Hector Collantes, Associate Director



**Unstable Government and Economy:** Peru's political and economic instability continues to pose material downside risk to external investment and economic growth. Former President Pedro Castillo attempted a coup in December 2022, which failed and led to his impeachment and removal from office. The current president, Dina Boluarte, rose from relative obscurity and is a polarizing figure, with little support from congress. Many investors are waiting for any signs of political change to consider pursing future investments.

**Protests Target Mining Operations:** Most companies in the natural resources or mining sectors have high overall business disruption risk. Many of the country's mines are in Cuzco and Puno. These are the primary areas subject to attacks that directly jeopardize about 2% of copper production worldwide from MMG Limited's Las Bambas mine, Glencore Plc's Antapaccay mine and Hudbay Minerals Inc.'s (BB–/Stable) Constancia mine.

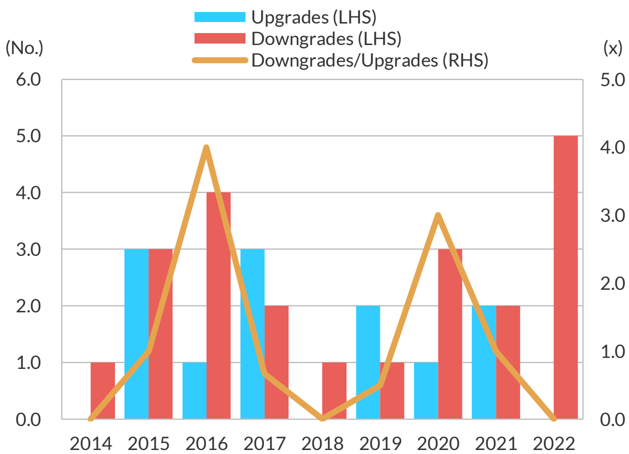
Among issuers under our coverage, Minsur S.A. (BBB–/Positive) was the only miner to announce stoppage of its San Rafael tin mine. Aside from potential production losses in 1Q23, the full ramp-up of the Quellaveco mine is expected to boost copper production by 8% in 2023. Total mining investment is expected to fall 16% in 2023, casting a shadow on future mining growth.

**Protests Threaten Gas Assets**: Social unrest has the potential to deeply jeopardize the natural gas chain, with high business risk for utilities and energy firms. Companies dependent on natural gas from the Camisea field, which supplies nearly 40% of Peru's electricity, face elevated business risk.

**Protests Affect Consumption Sectors:** Protests are severely affecting tourism and adding pressure to prices. Roadway disruption increased food prices, weighing on consumption. The Research Center of the Association of United Micro and Small Enterprises estimates losses of USD15 million a day for entrepreneurs in the next three to four months and a potential loss of about 100,000 jobs.

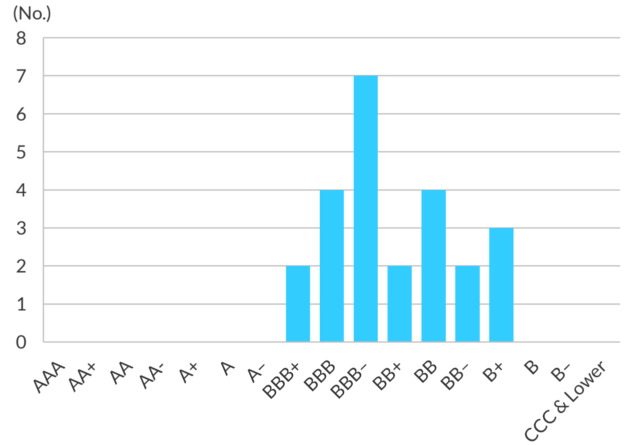
# Peruvian Corporates: Rating Portfolio

### Downgrades and Upgrades: International Scale
(As of Feb 27, 2023)



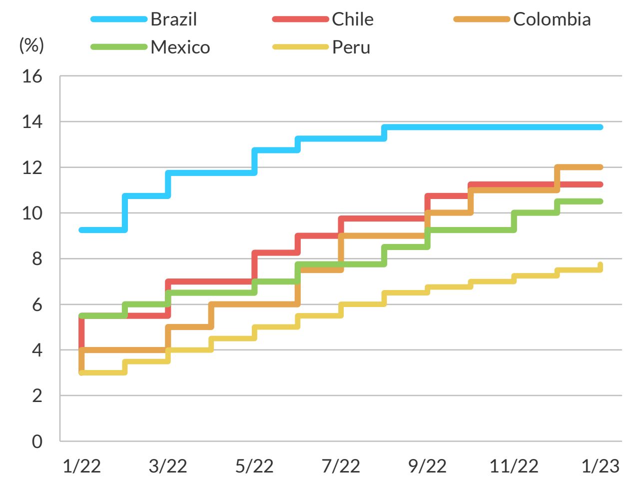

Note: Excludes multiple rating actions on the same issuer
Source: Fitch Ratings

### Peruvian Corporates Ratings Distribution: International Scale
(As of Feb 27, 2023)



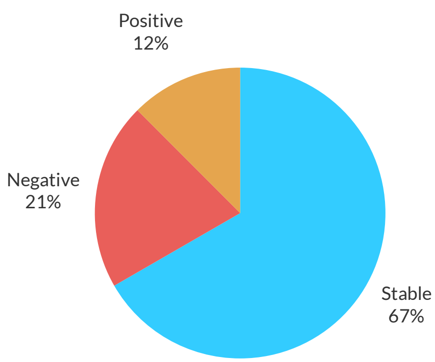

Source: Fitch Ratings

### Central Bank Rates by Country



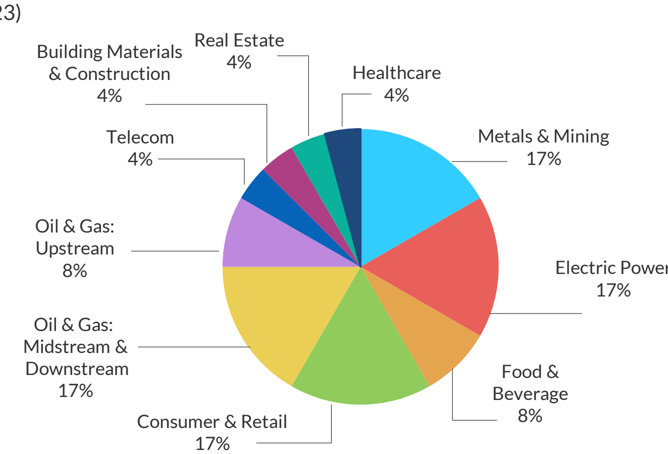

Source: Fitch Ratings, Fitch Solutions

### Ratings Outlook/Watch: International Scale
(As of Feb 27, 2023)




Source: Fitch Ratings

### Ratings Sector Breakdown: International Scale
(As of Feb 27, 2023)




Source: Fitch Ratings

# Peruvian Corporates: Sector Risks Profile

## Key Risks for Peruvian Corporates in 2023

- Slower than expected economic activity during 2023 due to political friction and increasing uncertainty in the new presidential administration
- Exposure to commodity prices and mining conflicts
- Depressed internal demand, consumption, slowdown or contraction in 2023 public and private investments
- A sovereign rating downgrade

Source: Fitch Ratings

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Alicorp S.A.A. | 🟢 | 🟢 | 🟡 | 🟡 | 🟡 | 🟢 |
| Auna S.A.A. | 🟢 | 🟢 | 🟢 | 🟡 | 🟡 | 🟡 |
| Camposol Holding PLC | 🟢 | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 |
| Cementos Pacasmayo S.A.A. | 🟢 | 🟡 | 🟡 | 🟡 | 🟡 | 🟢 |
| Compania de Minas Buenaventura S.A.A. | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟢 |
| Consorcio Transmantaro S.A. (CTM) | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟢 |
| Fenix Power Peru S.A. | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟡 |
| Gas Natural de Lima y Callao S.A. | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟡 |
| Grupo Embotellador Atic, S.A. | 🟡 | 🟡 | 🟡 | 🟡 | 🟡 | 🟡 |
| Hunt Oil Company of Peru L.L.C., Sucursal del Peru | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟢 |
| InRetail Real Estate Corp. | 🟢 | 🟡 | 🟢 | 🟡 | 🟡 | 🟢 |
| InRetail Pharma S.A. | 🟢 | 🟡 | 🟢 | 🟡 | 🟡 | 🟢 |
| Intercorp Peru Ltd. | 🟢 | 🟡 | 🟢 | 🟡 | 🟢 | 🟢 |
| Kallpa Generacion S.A. | 🟢 | 🟡 | 🟢 | 🟢 | 🟡 | 🟢 |

## Key Risks: Issuer Portfolio

| Sector | ESG Risk | Macroeconomic Exposure | Commodities Prices | FX Exposure | Leverage | Refinancing Risk |
|---|---|---|---|---|---|---|
| Minsur S.A. | Low | Medium | Low | Low | Medium | Low |
| Nautilus Inkia Holdings SCS | Low | Medium | Low | Low | Medium | Medium |
| NG Packaging & Recycling Corporation Holdings S.A. | Low | Medium | Low | Low | Medium | Low |
| Orazul Energy Peru S.A. | Low | Medium | Low | Low | Medium | Low |
| PERU LNG S.R.L. | Low | Medium | Low | Medium | High | Medium |
| Petroleos del Peru - Petroperu S.A. | Low | Medium | Low | Low | Medium | Low |
| Southern Copper Corporation (SCC) | Low | Medium | Low | Low | Medium | Low |
| Transportadora de gas del Peru, S.A. (TGP) | Low | Medium | Medium | Low | Medium | Medium |
| Telefonica del Peru, S.A.A. (TdP) | Medium | Medium | Medium | Medium | Medium | Medium |
| Volcan Compania Minera S.A.A. | Medium | Medium | Medium | Low | Medium | Medium |

| | |
|---|---|
| **Low Risk** | Green |
| **Medium Risk** | Yellow |
| **High Risk** | Red |

ESG – Environmental, social and governance
Source: Fitch Ratings, Fitch Solutions

# Peruvian Corporates: Sector Risks Profile

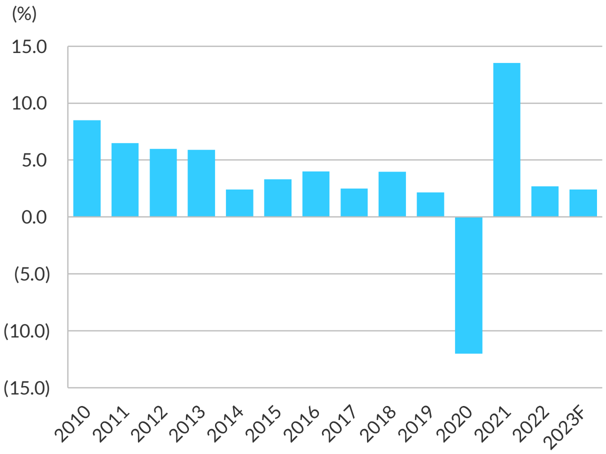
## Peruvian Corporate Ratings: Outlook by Sector

| Sector | Portfolio Breakdown (International Scale, %) | Sector Trend | Issuer's Ability to Withstand Challenges in 2023 | Key Factors |
|---|---|---|---|---|
| Metals & Mining | 17 | → | Medium | Intensifying protests, operational stoppages, investment postponements and regulatory changes, including tax increases, or a constitutional rewrite are the main risks. Most miners operate at the lower end of the global cost curve. Peru's mining production fell 13.0% in 2020 and ended 2021 with 9.7% growth, reaching pre-pandemic levels. Mining GDP fell 0.2% in 2022 due to protests despite new mine openings. Mining investment in 2022 totaled USD5.36 billion, 1.9% higher than the USD5.26 billion in 2021 |
| Electric Power | 17 | → | Medium | Demand steadily increased at an average of 3.3% per month in 2022 against a backdrop of ample generation capacity. Peru's total electricity production of Comite de Operacion Economica del Sistema-based generation companies, as of December 2022, reached a high of 5,013GWh for the month, an increase of 7% compared with December 2021 and 9.4% above December 2020. Maximum demand of 7,467MW in December 2022 was only 58% of the country's total installed capacity. |
| Food & Beverage | 8 | → | Medium | No major interruptions in operating facilities occurred during the pandemic. Inflationary pressures could be transferred to consumers. |
| Retail | 17 | ↓<br>→ | Discretionary Retail: Medium<br>Non-Discretionary Retail: Medium | Rising consumer price inflation and higher interest rates are risks to discretionary consumer spending and are eroding purchasing power. Food and pharma categories are perceived as less volatile retail segments. The government waived sales tax on essential food items and essential services in April 2022 to increase consumption. The sales tax waiver was extended to December 2025. |
| Oil & Gas: Midstream & Downstream | 15 | → | Medium | Cash flow stability and supportive regulation aid oil and gas companies. Capital structures remain strong. Massification of natural gas still faces logistical hurdles, exacerbated by social unrest. |
| Oil & Gas: Upstream | 8 | → | Medium | High oil prices support cash flows. Capital structures are adequate . |
| Telecommunications | 4 | ↓ | Medium | Intense competition, saturated mobile markets and cost inflation constrain revenue growth and margins. Materialization of tax payments relating to long-running disputes with the Superintendencia Nacional de Aduanas y de Administracion Tributaria cause liquidity concerns. |
| Building Materials & Construction | 4 | → | Medium | Social aid and the economic stimulus package the government carried out to soften pandemic-related effects to the economy resulted in a recovery in cement consumption in 2H20 that continued in 2021. Peru's cement production and dispatches grew by 40% in 2021 and was 21% above 2019 levels. Cement consumption increased by 2% in August 2022 compared with August 2021. |
| Healthcare | 4 | → | Medium | Fully vaccinated rates of around 84% for the population in October 2022 is positive. Relative scarcity of modern facilities supports the business model. |
| Real Estate | 4 | → | Medium | The commercial real estate sector recovered and should readapt to customer preferences in 2023. Mall operators reported higher foot traffic, tenant sales and rental collections toward YE 2022. However, high inflation, rising interest rates and lower growth in GDP could halt growth. Mall operators are adapting to, and progressively changing, tenant mixes toward services, convenience and entertainment, as services represent a higher portion of consumer spending. The pandemic contributed to increased e-commerce sales channels and changed the relationship between physical and online shopping. However, regional infrastructure logistics lag those of developed economies and customers continue to be attracted to venues for social entertainment. Operators are exploring various partnerships and cluster strategies to drive customer traffic and increase sales conversion. |

↓ = Negative Outlook. → = Stable Outlook. ↑ = Positive Outlook.
Source: Fitch Ratings, Fitch Solutions

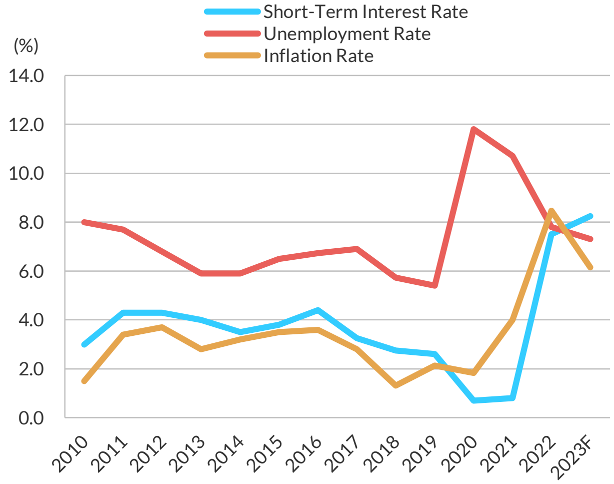
# Peruvian Corporates: Key Macro Variables

## Peruvian GDP Growth



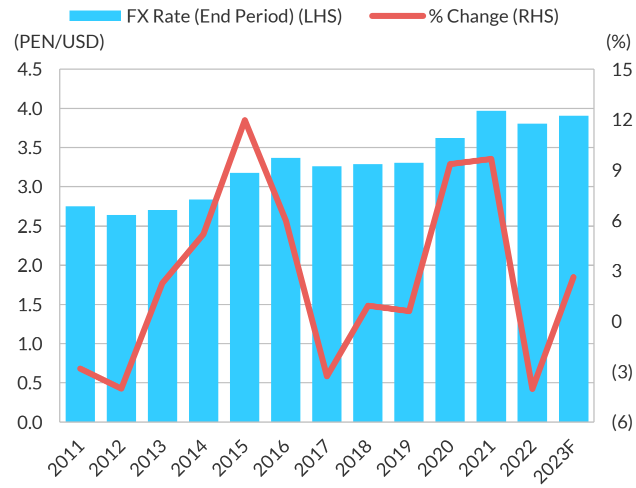

F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Unemployment, Inflation and Interest Rates



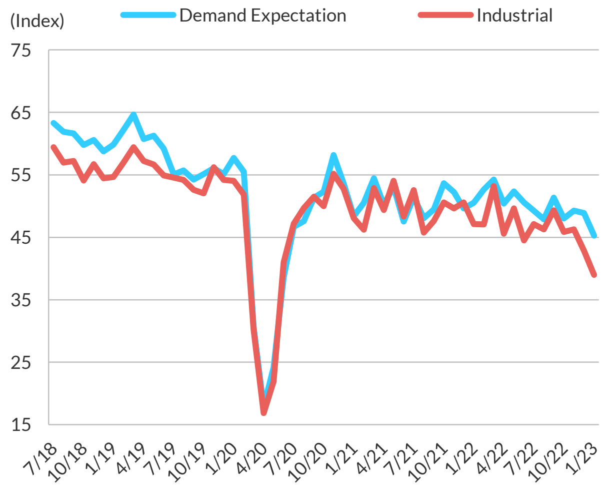

F – Forecast
Source: Fitch Ratings, Fitch Solutions

## FX Rate




F – Forecast
Source: Fitch Ratings, Fitch Solutions

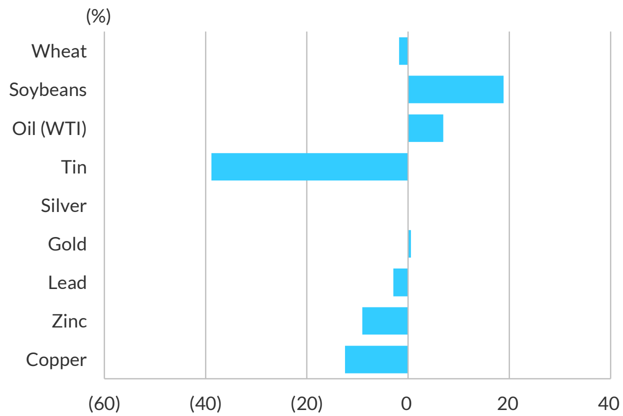
## Confidence Indicators




Source: Banco Central de Reserva del Peru

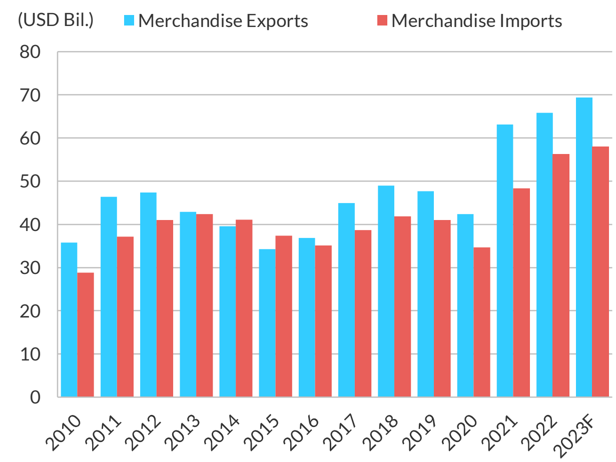
## Key Commodity Price Changes

(As of Dec 31, 2022)




WTI – West Texas Intermediate
Source: Bloomberg, Banco Central de Reserva del Peru, Ministerio de Energia y Minas

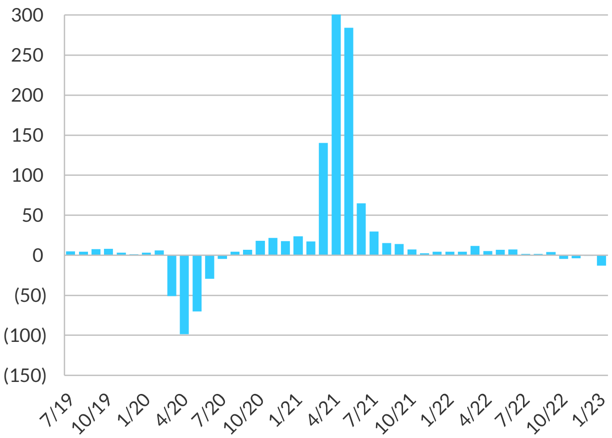
## Export Versus Imports




F – Forecast
Source: Fitch Ratings, Fitch Solutions

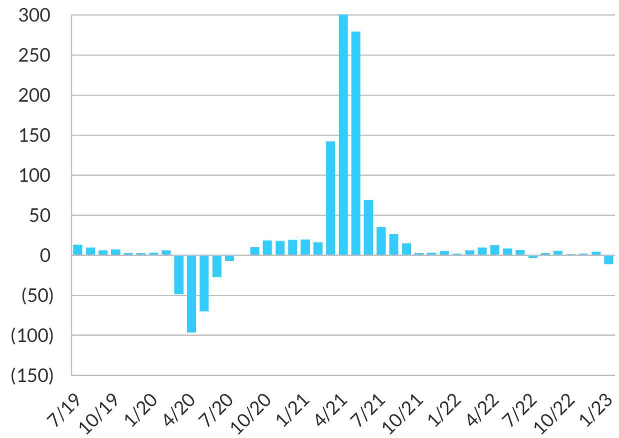
# Peruvian Corporates: Industrial Indicators

## Cement Production



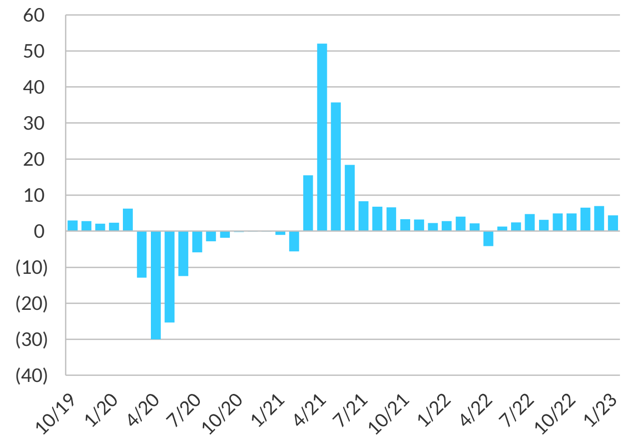

Source: Fitch Ratings, Fitch Solutions, Asociacion de Productores de Cemento

## Cement Consumption



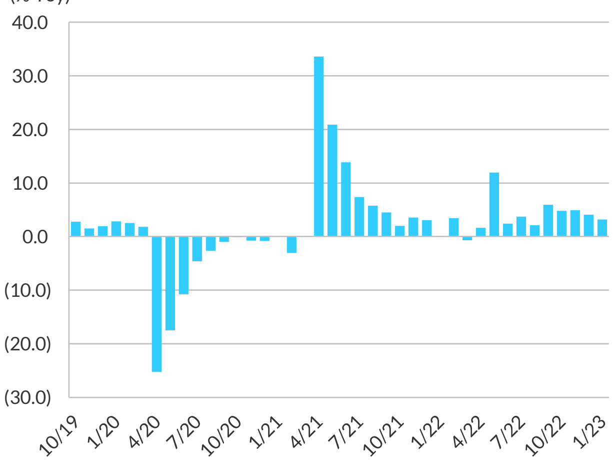

Source: Fitch Ratings, Fitch Solutions, Asociacion de Productores de Cemento

## Energy Production



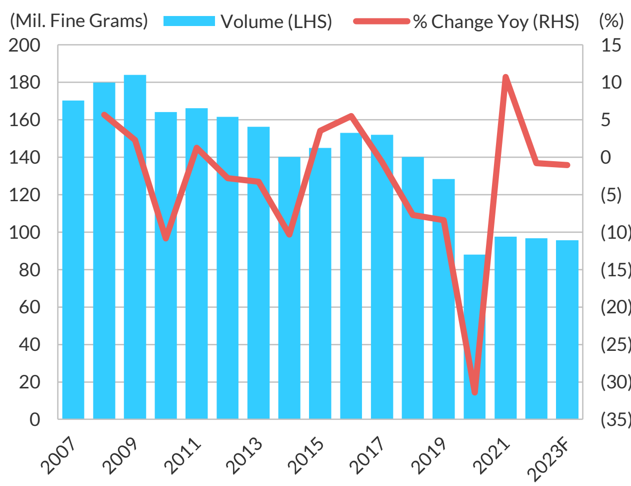

Source: Fitch Ratings, Fitch Solutions, Comite de Operacion Economica del Sistema

## Maximum Energy Power Demand



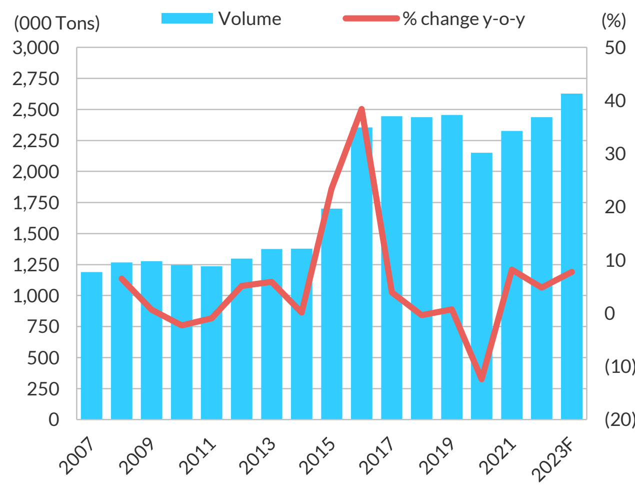

Source: Comite de Operacion Economica del Sistema

## Gold Production




Source: Fitch Ratings, Fitch Solutions, Ministerio Energia y Minas

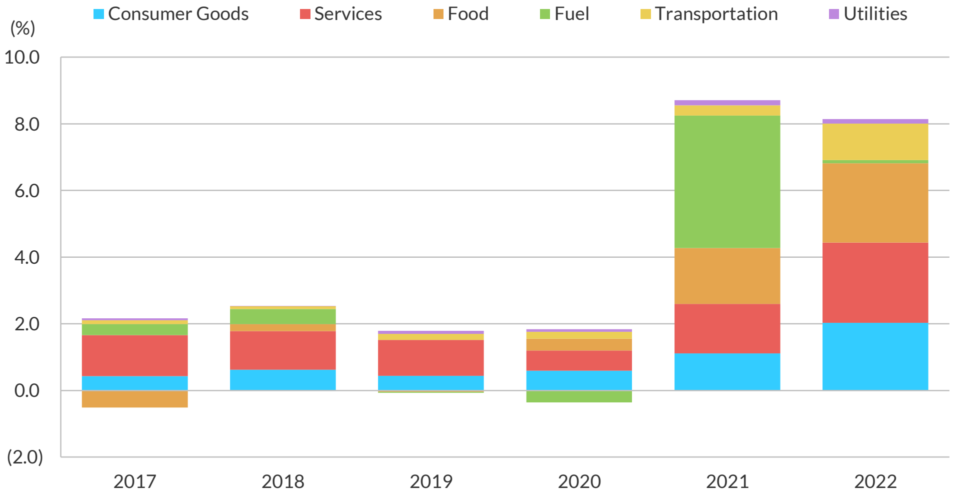
## Copper Production




Source: Fitch Ratings, Fitch Solutions, Ministerio Energia y Minas

# Peruvian Corporates: Inflation

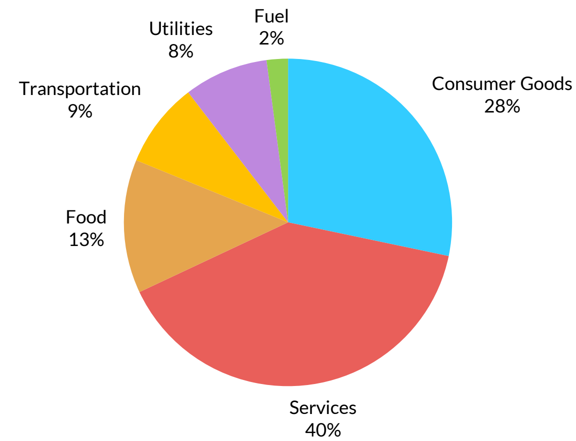
## Consumer Price Index Breakdown: Weight By Group




Source: Fitch Ratings, Fitch Solutions, Instituto Nacional de Estadistica e Informatica

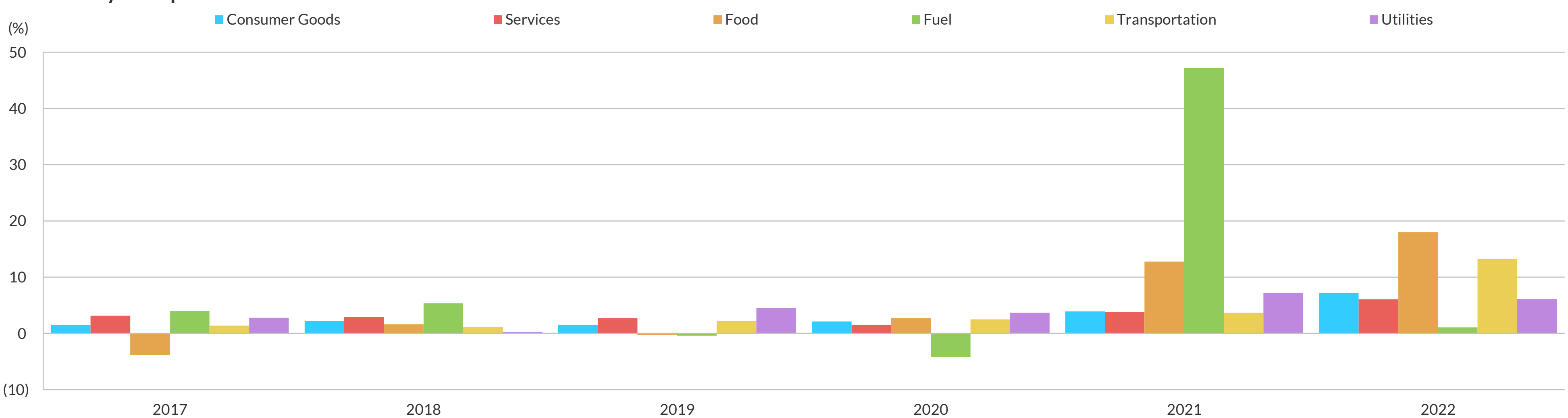
## Consumer Price Index Breakdown: Weight By Group

(As of Dec. 31, 2022)




Source: Fitch Ratings, Fitch Solutions, Instituto Nacional de Estadistica e Informatica

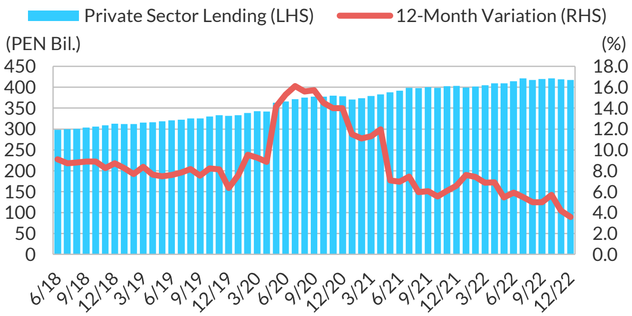
## Inflation By Group




Source: Fitch Ratings, Fitch Solutions, Instituto Nacional de Estadistica e Informatica

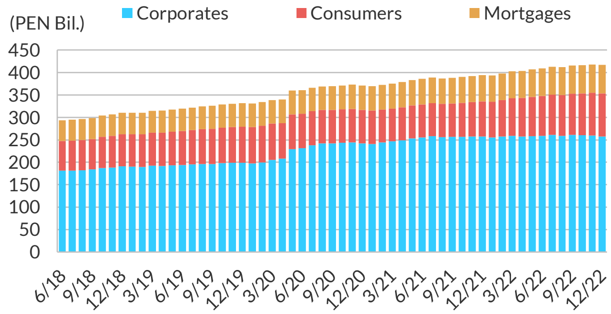
# Peruvian Corporates: Credit Overview

## Private Sector Lending



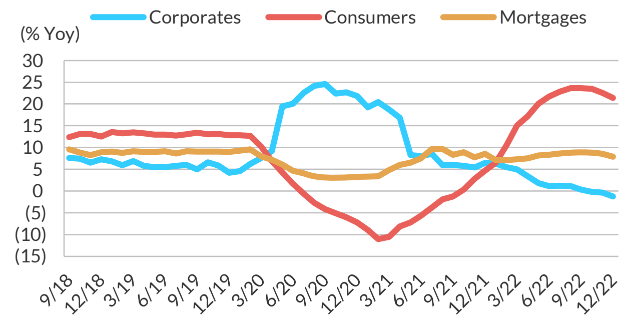

Source: Banco Central de Reserva del Peru

## Corporates and Households Lending



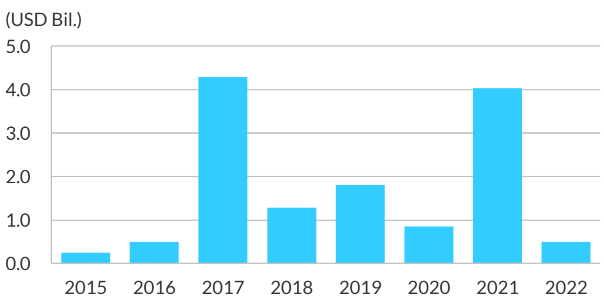

Source: Banco Central de Reserva del Peru

## Corporates and Households Lending Growth



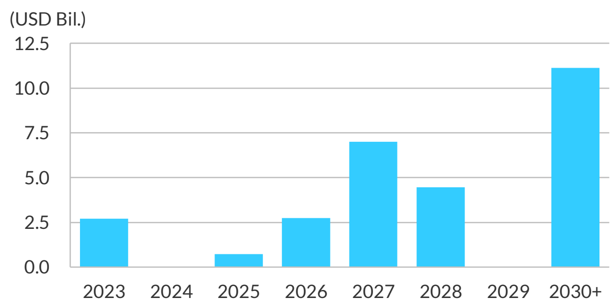

Source: Banco Central de Reserva del Peru

## Cross-Border Issuances: Fitch Portfolio



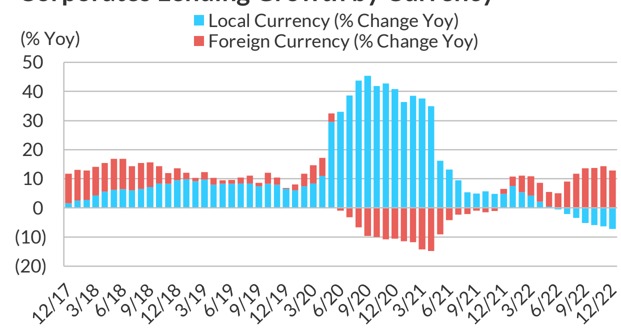

Source: Fitch Ratings, Fitch Solutions

## Cross-Border Bond Maturities: Fitch Portfolio



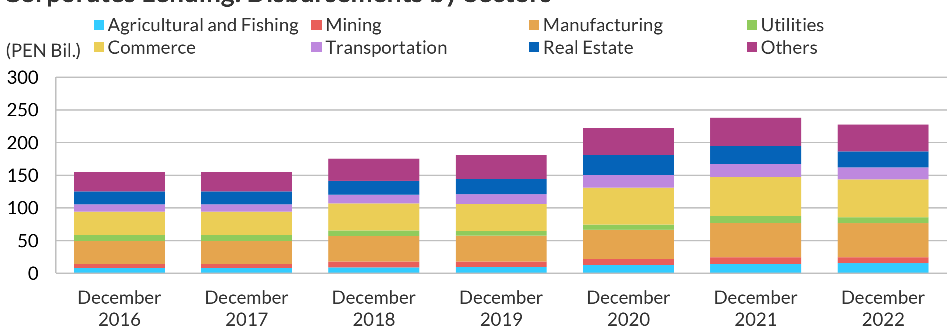

Source: Fitch Ratings, Fitch Solutions

## Corporates Lending Growth by Currency



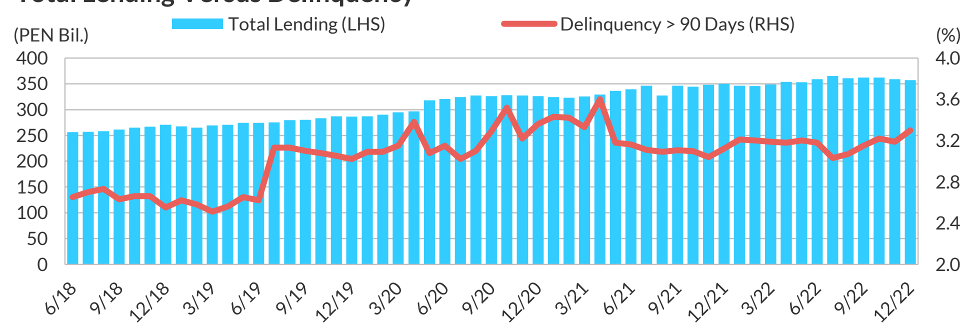

Source: Banco Central de Reserva del Peru

## Corporates Lending: Disbursements by Sectors




Source: Superintendencia de Banca y Seguros

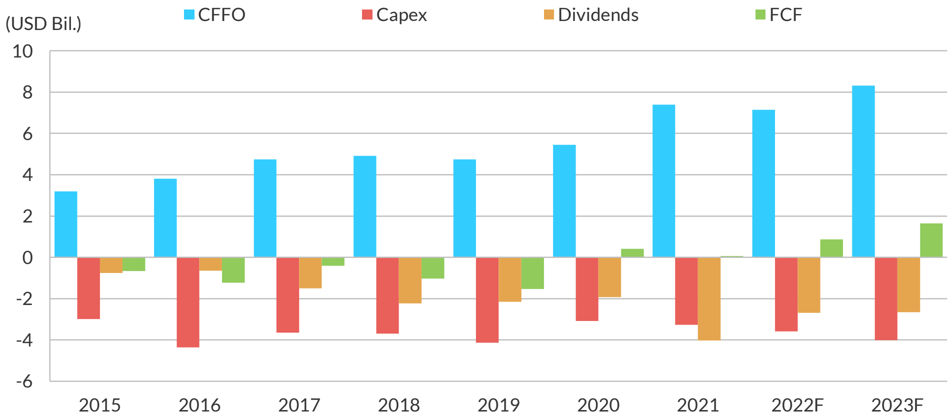
## Total Lending Versus Delinquency




Source: Superintendencia de Banca y Seguros

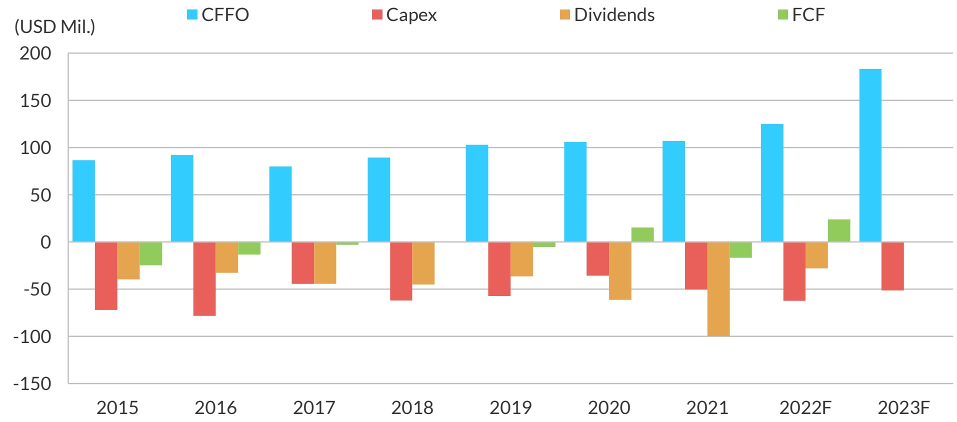
## Peruvian Corporates: Financial Profile

### Aggregate Cash Flow Performance: Peruvian Corporate International Ratings (Fitch Portfolio)



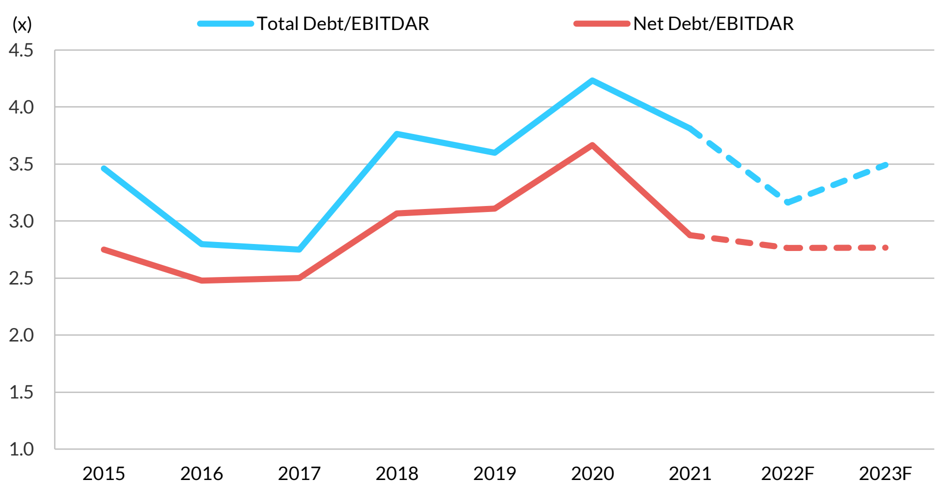

CFFO – Cash flow from operations. F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Cash Flow Performance: Peruvian Corporate International Ratings (Fitch Portfolio)



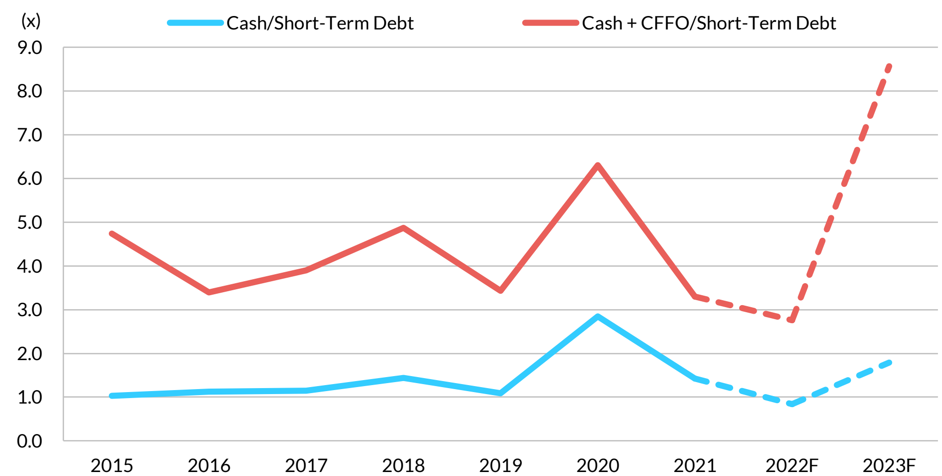

CFFO – Cash flow from operations. F – Forecast
Source: Fitch Ratings, Fitch Solutions

### Median Leverage: Peruvian Corporate International Ratings (Fitch Portfolio)




F – Forecast
Source: Fitch Ratings, Fitch Solutions

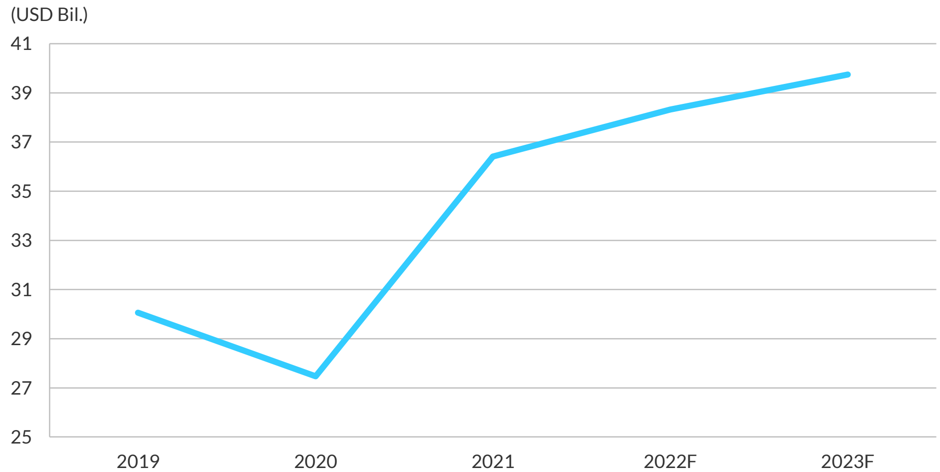
### Median Leverage: Peruvian Corporate International Ratings (Fitch Portfolio)




CFFO – Cash flow from operations. F – Forecast.
Source: Fitch Ratings, Fitch Solutions

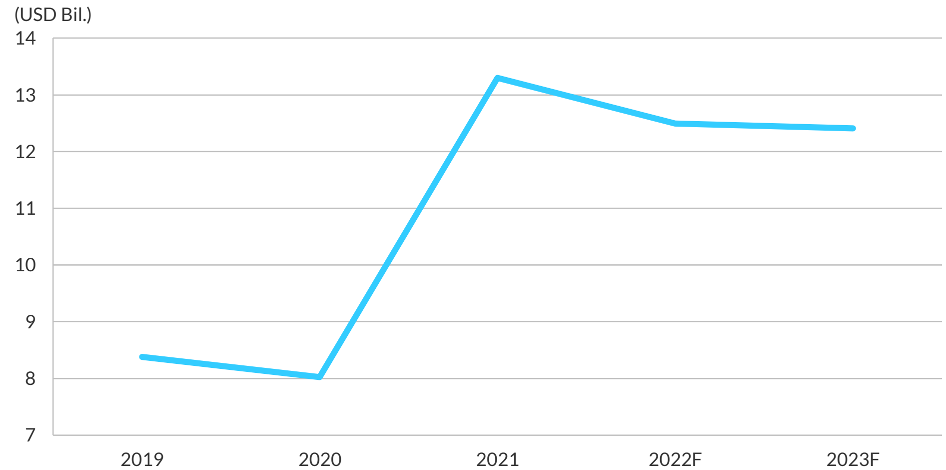
# Peruvian Corporates: Fitch Forecast

## Aggregate Projected Revenue



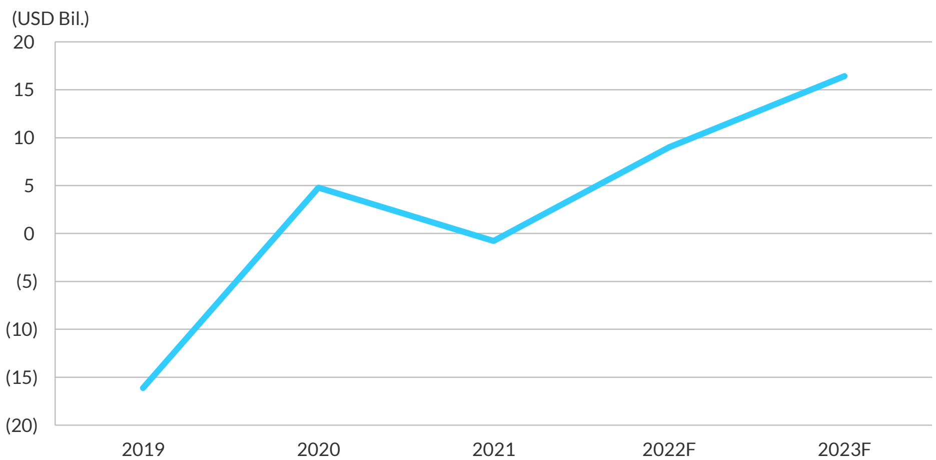

F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Aggregate Projected EBITDAR



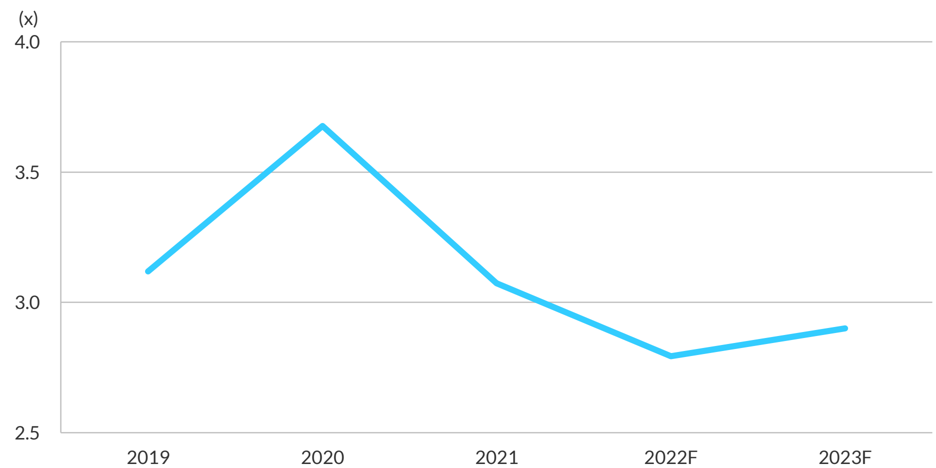

F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Aggregate Projected FCF




F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Median Projected Net Leverage




F – Forecast
Source: Fitch Ratings, Fitch Solutions

## Peruvian Corporates: Key Statistics

| (USD Mil.) | | | EBITDAR | | Cash Flow from Operations | | Net Debt/EBITDA[a] (x) | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Issuer | LT IDR | Outlook | 2021 | 2022F | 2021 | 2022F | 2021 | 2022F | Cash and Marketable Securities | Short-Term Debt | Total Debt |
| Alicorp S.A.A. | BBB | Stable | 306 | 387 | 22 | 218 | 3.2 | 2.7 | 227 | 122 | 1,192 |
| Auna S.A.A. | B+ | Stable | 49 | 115 | 18 | 39 | 5.9 | 7.0 | 35 | 7 | 316 |
| Camposol Holding PLC | B+ | Stable | 103 | 70 | 46 | 9 | 4.0 | 7.2 | 30 | 87 | 442 |
| Cementos Pacasmayo S.A.A. | BBB– | Negative | 117 | 128 | 44 | 59 | 2.6 | 3.1 | 69 | 113 | 361 |
| Compania de Minas Buenaventura S.A.A. | BB– | Stable | 204 | 172 | -204 | 218 | 2.1 | 1.4 | 377 | 229 | 1,108 |
| Consorcio Transmantaro S.A. (CTM) | BBB | Stable | 191 | 196 | 147 | 142 | 5.5 | 5.8 | 52 | 50 | 1,100 |
| Fenix Power Peru S.A. | BBB– | Stable | 49 | 83 | 41 | 64 | 5.7 | 2.8 | 28 | 55 | 307 |
| Gas Natural de Lima y Callao S.A. | BBB | Stable | 202 | 204 | 120 | 122 | 3.3 | 3.7 | 86 | 0 | 762 |
| Grupo Embotellador Atic, S.A. | BB– | Positive | 196 | 158 | 162 | 121 | 1.0 | 0.9 | 94 | 66 | 285 |
| Hunt Oil Company of Peru L.L.C., Sucursal del Peru | BBB | Stable | 455 | 692 | 261 | 347 | -0.3 | 0.6 | 140 | 53 | — |
| InRetail Pharma S.A. | BBB– | Stable | 297 | 288 | 72 | 125 | 2.7 | 3.1 | 75 | 90 | 847 |
| InRetail Real Estate Corp. | BBB– | Stable | 132 | 93 | 38 | 60 | 3.6 | 5.5 | 118 | 40 | 583 |
| Intercorp Peru Ltd. | BBB– | Negative | 179 | 195 | 188 | 158 | 2.5 | 2.2 | 28 | — | 467 |
| Kallpa Generacion S.A. | BBB– | Stable | 251 | 252 | 187 | 195 | — | — | 32 | 33 | 1,127 |
| Minsur S.A. | BBB– | Positive | 1,410 | 1,258 | 829 | 669 | 0.8 | 0.7 | 469 | 415 | 1,551 |
| Nautilus Inkia Holdings SCS | BB | Stable | 518 | 515 | 284 | 321 | 4.6 | 4.5 | 331 | 144 | 2,676 |
| NG Packaging & Recycling Corporation Holdings S.A. | BB+ | Positive | 150 | 92 | 96 | 53 | 2.6 | 4.1 | 38 | 20 | 420 |
| Orazul Energy Peru S.A. | BB | Stable | 65 | 73 | 42 | 47 | 5.3 | 4.8 | 21 | 0 | 363 |
| Peru LNG S.R.L. | B+ | Stable | 145 | 624 | -55 | 278 | 6.3 | 1.1 | 89 | 63 | 997 |
| Petroleos del Peru – Petroperu S.A. | BB+ | RWN | 353 | 365 | 304 | 102 | 13.7 | 14.6 | 240 | 825 | 5,065 |
| Southern Copper Corporation (SCC) | BBB+ | Stable | 6,871 | 5,390 | 4,286 | 3,418 | 0.4 | 0.4 | 3,489 | 300 | 6,548 |
| Telefonica del Peru, S.A.A. | BB– | Negative | 203 | 276 | 107 | 1 | 3.1 | 2.2 | 153 | 75 | 759 |
| Transportadora de gas del Peru, S.A. (TGP) | BBB+ | Negative | 468 | 491 | 317 | 341 | 1.8 | 1.4 | 172 | 11 | 1,005. |
| Volcan Compania Minera S.A.A. | BB | Stable | 388 | 375 | 319 | 356 | 1.8 | 1.6 | 231 | 441 | 913 |

[a]EBITDA measures for airlines, retail and other companies with material rents and lease expense were adjusted to EBITDAR. LT IDR – Long-Term Issuer Default Rating. RWN – Rating Watch Negative. F – Forecast.
Note: Ratings are as of March 1, 2023.
Source: Fitch Ratings, Fitch Solutions

## Related Research

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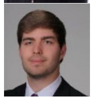
## Analysts


**Hector Collantes**
+1 212 908-0369
hector.collantes@fitchratings.com


**Eva Rippeteau**
+1 212 908-9105
eva.rippeteau@fitchratings.com


**Aaron McGaffigan**
+1 312 368-3162
aaron.mcgaffigan@fitchratings.com

## Latin American Corporate Finance Team Directory

| United States: Fitch Ratings, Inc. | | | | |
|---|---|---|---|---|
| Joe Bormann, CFA | Managing Director, Regional Group Head for Latin American Corporates | | joe.bormann@fitchratings.com | +1 312 368-3349 |
| Martha Rocha | Managing Director | Head of Industrials, Consumer, Telecom, Media & Technology, Real Estate | martha.rocha@fitchratings.com | +1 212 908-0591 |
| Saverio Minervini | Senior Director | Head of Energy, Utilities, Natural Resources | saverio.minervini@fitchratings.com | +1 312 368-3134 |
| Paula Bunn | Director | Real Estate | paula.bunn@fitchratings.com | +1 212 908-0364 |
| Andrew Bushey, CFA | Director | Telecom, Media & Technology | andrew.bushey@fitchratings.com | +1 312 368-3218 |
| Andres Correa | Director | Auto Parts & Diversified Industrials | andres.correa@fitchratings.com | +1 312 205-3385 |
| Johnny da Silva | Director | Food, Beverage & Tobacco | johnny.dasilva@fitchratings.com | +1 212 908-0559 |
| Adriana Eraso | Director | Energy | adriana.eraso@fitchratings.com | +1 212 612-0367 |
| Gilberto Gonzalez, CFA | Director | Telecom, Media & Technology | gilberto.gonzalez@fitchratings.com | +1 646 582-4572 |
| Debora Jalles | Director | Building Materials & Construction, Transportation, Health Care | debora.jalles@fitchratings.com | +1 312 606-2310 |
| Eva Rippeteau | Director | Utilities | eva.rippeteau@fitchratings.com | +1 312 606-2338 |
| Julieta Garcia Seebach | Director | Utilities | julie.seebach@fitchratings.com | +1 212 908-9105 |
| Lincoln Webber, CFA, CAIA | Director | Energy, Utilities, Petrochemicals | lincoln.webber@fitchratings.com | +1 512 215-3743 |
| Hector Collantes | Director | Metals & Mining, Natural Resources | hector.collantes@fitchratings.com | +1 646 582-3523 |
| Erick Pastrana | Associate Director | Energy | erick.pastrana@fitchratings.com | +506 4104-7036 |
| Caroline Rudge | Senior Analyst | Industrials, Consumer, Retail, Real Estate | caroline.rudge@fitchratings.com | +1 312 606-3311 |
| Michael Austin | Analyst | Building Materials, Telecom, Media & Technology | michael.austin@fitchratings.com | +1 312 368-2075 |
| Aaron McGaffigan | Analyst | Energy, Utilities, Natural Resources | aaron.mcgaffigan@fitchratings.com | +1 312 606-3132 |
| Dara Laja | Analyst | Energy, Utilities, Natural Resources | dara.laja@fitchratings.com | +1 212 908-0255 |

| Brazil: Fitch Ratings Brazil Ltda. | | | | |
|---|---|---|---|---|
| Ricardo Carvalho | Managing Director, Head of Brazilian Corporates | | ricardo.carvalho@fitchratings.com | +55 21 4503-2627 |
| Fernanda Rezende | Senior Director | Natural Resources, Property, Real Estate | fernanda.rezende@fitchratings.com | +55 21 4503-2619 |
| Mauro Storino | Senior Director | Utilities | mauro.storino@fitchratings.com | +55 21 4503-2625 |
| Renato Donatti | Director | Retail, Health Care | renato.donatti@fitchratings.com | +55 11 4504-2215 |
| Flavio Fujihira | Director | Food, Beverage & Tobacco | flavio.fujihira@fitchratings.com | +55 11 4504-2603 |
| Alexandre Garcia | Director | Building Materials & Construction, Telecom | alexandre.garcia@fitchratings.com | +55 11 4504-2616 |
| Renato Mota, CFA, CAIA | Director | Transportation | renato.mota@fitchratings.com | +55 21 4503-2629 |
| Gustavo Mueller | Director | Water/Waste, Energy, Utilities, Environmental Services | gustavo.mueller@fitchratings.com | +55 21 4503-2632 |
| Gisele Paolino | Director | Transportation, Retail | gisele.paolino@fitchratings.com | +55 21 4503-2624 |
| Wellington Senter | Director | Electric-Corporate, Energy, (Oil & Gas) | wellington.senter@fitchratings.com | +55 21 4503-2606 |
| Natalia Brandao | Associate Director | Property, Real Estate, Building Materials & Construction | natalia.brandao@fitchratings.com | +55 21 4503-2631 |

## Latin American Corporate Finance Team Directory

| | | | | |
|---|---|---|---|---|
| **Brazil: Fitch Ratings Brazil Ltda.** | | | | |
| Marcelo Pappiani | Associate Director | Pharmaceuticals, Agribusiness and Chemicals | marcelo.pappiani@fitchratings.com | +55 11 4505-2603 |
| Lucas Rios, CFA | Associate Director | Electric-Corporate, Energy, (Oil & Gas) | lucas.rios@fitchratings.com | +55 11 4504-2205 |
| Tatiana Thomaz | Associate Director | Health Care & Education | tatiana.thomaz@fitchratings.com | +55 21 4503-2605 |
| Leonardo Coutinho | Senior Analyst | Water/Waste, Utilities, Natural Gas | leonardo.coutinho@fitchratings.com | +55 21 4503-2630 |
| Rafael Faro | Senior Analyst | Electric-Corporate, Diversified Services | rafael.faro@fitchratings.com | +55 21 3957-3616 |
| Pedro Gonzalez | Senior Analyst | Retail | pedro.gonzalez@fitchratings.com | +55 21 4503-2634 |
| Ricardo Junqueira | Analyst | Food, Beverage & Tobacco | ricardo.junqueira@fitchratings.com | +55 21 3957-3619 |
| Matheus Luchi | Associate Analyst | Retail | matheus.luchi@fitchratings.com | +55 21 4503-2601 |

| | | | | |
|---|---|---|---|---|
| **Chile: Fitch Chile Clasificadora de Riesgos Limitada** | | | | |
| Rina Jarufe | Senior Director, Head of Chilean Corporates | | rina.jarufe@fitchratings.com | +56 22 499-3310 |
| Alejandra Fernandez | Director | Building Materials & Construction, Metals & Mining | alejandra.fernandez@fitchratings.com | +56 22 499-3323 |
| Rodolfo Schmauk | Director | Food, Beverage & Tobacco, Forestry Products, Health Care | rodolfo.schmauk@fitchratings.com | +56 22 499-3341 |
| Jose Ramon Rio | Director | Utilities, Electric-Corporate | jose.rio@fitchratings.com | |
| Andrea Jimenez | Associate Director | Retail, Property, Real Estate | andrea.jimenez@fitchratings.com | +56 22 499-3322 |
| Francisco Mercadal | Associate Director | Telecom, Transportation, Water/Waste, Utilities | francisco.mercadal@fitchratings.com | +56 22 499-3340 |
| Tomas Honorato | Senior Analyst | Utilities, Electric-Corporate | tomas.honorato@fitchratings.com | +56 22 499-3314 |
| Andrea Rojas | Analyst | Generalist | andrea.rojas@fitchratings.com | +56 22 499-3337 |
| Alfredo Villegas | Analyst | Generalist | alfredo.villegas@fitchratings.com | +56 22 499-3318 |

| | | | | |
|---|---|---|---|---|
| **Colombia: Fitch Ratings Colombia** | | | | |
| Natalia O'Byrne | Senior Director, Head of Colombian Corporates | | natalia.obyrne@fitchratings.com | +57 601 484-6773 |
| Jose Luis Rivas | Senior Director | Electric-Corporate, Energy (Oil & Gas), Telecom | joseluis.rivas@fitchratings.com | +57 601 443-3701 |
| Juana Lievano | Associate Director | Food, Beverage & Tobacco, Building Materials & Construction | juana.lievano@fitchratings.com | +57 601 443-3563 |
| Rafael Molina, CFA | Associate Director | Natural Gas, Electric-Corporate, Building Materials & Construction | rafael.molina@fitchratings.com | +57 601 443-3567 |
| Lina Mora | Associate Director | Food, Beverage & Tobacco, Building Materials & Construction | lina.mora@fitchratings.com | +57 601 443-3759 |
| Julian Robayo | Associate Director | Real Estate, Home Building, Utilities, Diversified Services | julian.robayo@fitchratings.com | +57 601 443-3703 |
| Juan David Medellin | Senior Analyst | Utilities, Electric-Corporate, Natural Gas | juandavid.medellin@fitchratings.com | +57 601 443-3565 |
| Nicolas Rey | Analyst | Generalist | nicolas.rey@fitchratings.com | +57 601 443-3755 |
| Guillermo Vega | Analyst | Generalist | guillermo.vega@fitchratings.com | +57 601 443-3756 |

# Latin American Corporate Finance Team Directory

| **Mexico: Fitch Mexico S.A. de C.V.** | | | | |
|---|---|---|---|---|
| Alberto Moreno Arnaiz | Senior Director, Head of Mexican Corporates | | alberto.moreno@fitchratings.com | +52 81 4161-7033 |
| Rogelio Gonzalez | Director | Food, Beverage & Tobacco, Chemicals | rogelio.gonzalez@fitchratings.com | +52 81 4161-7034 |
| Maria Pia Medrano | Director | Retail, Consumer | mariapia.medrano@fitchratings.com | +52 55 5955-1615 |
| Elena Enciso | Director | Food, Beverage & Tobacco, Retail, Consumer | elena.enciso@fitchratings.com | +52 55 5955-1624 |
| Velia Patricia Valdes Venegas | Director | Energy, Telecom, Media & Entertainment, | velia.valdes@fitchratings.com | |
| Priscilla Cano | Associate Director | Real Estate | priscilla.cano@fitchratings.com | +52 81 4161-7064 |
| Diego Diaz | Associate Director | Diverse Manufacturing, Building Materials | diego.diaz@fitchratings.com | +52 81 4161-7017 |
| Eduardo Trejos | Associate Director | Real Estate, Retail | eduardo.trejos@fitchratings.com | +506 4104-7037 |
| Oscar Alvarez | Senior Analyst | Homebuilding, Utilities, Health | oscar.alvarez@fitchratings.com | +52 81 4161-7090 |
| Ricardo Hinojosa | Senior Analyst | Metals & Mining | ricardo.hinojosa@fitchratings.com | +52 81 4161-7080 |
| Victor Chiñas | Analyst | Generalist | victor.chinas@fitchratings.com | +52 81 4161-7070 |

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