ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 2Q21

APRIL 5, 2021

Overview: 2021 Outlook – Dr. Walter Molano, Ph.D.
EM Corporate Highlights – Corporate Research
Top Picks for 1Q21 – Corporate Research

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OUTPERFORM
UNDERPERFORM
SWAP

ARGENTINA : THE ART OF "EL GIL"

Like all countries, Argentina has a lexicon of colloquialisms that are not used in the rest of the Spanish-speaking world. One of the most emblematic is "el gil," pronounced "el heel." In the kindest of forms, it means naïve fool. In the harshest of forms, it means the idiot. Whatever the form, it is something that no Argentine wants to be. This is where economics kicks in. Given that no one wants to be the gil, and it is also a country which has a pretty lofty sense of self-esteem, then no one is going to allow a fast one to be pulled on them. What are such examples? How about paying taxes? Given the high level of corruption, Argentines feel that only a gil would pay taxes. They are not exactly wrong. You only need to recall the sacks full of dollars pilfered from the government that were filmed being hoisted over a convent wall a few years ago. How about believing in the currency? Argentines feel that only a gil would keep their savings in Argentine pesos. They are also not exactly wrong, given the unending devaluation of the currency. What about foreign debt? Many Argentine politicians feel that only a gil would pay off money owed to greedy creditors who were stupid enough to lend to them. The madcap antics of the vulture funds that seized Argentine assets and mindlessly battled in New York courts only deepened such perceptions. However, who is the fool?

Soybean prices are soaring. Not only is it due to inflationary fears, with investors moving into commodities and other hard assets as a store of value, soybean prices are spiking due to high demand from China as it tries to rebuild its hog herd. In 2018, China was hit with African Swine Fever (ASF), which led to the death or culling of more than 20 million pigs. China has an insatiable demand for pork, and it is a staple of the Chinese diet. Now, it is trying to rebuild its herd. Soybeans are a very efficient food to fatten pigs. Hence, the Chinese authorities are driving up soybean prices as they corner the market. This is a great moment for soybean producers around the world. Brazil, Uruguay and Paraguay are witnessing bumper crops, and boosting their economies. Argentina is also getting a lift. After posting negative GDP growth for 4 out of the last 5 years, the Argentine economy is expecting to grow 7% y/y in 2021. The current account balance will be in the black, at about 1.5% of GDP. For 4 out of the last 5 years, the Argentine current account balance was in the red. The fiscal performance in 2020 was better than expected, while international reserves are finally inching up. The coupons on the restructured bonds will step up this year, providing an attractive current yield for the instruments. Yet, Argentine asset prices continue to drop like a stone. This is the moment, when there should be a massive bid for Argentine paper.

Argentina brims with natural resources. It has some of the most abundant sources of fresh water in the world, thanks to the Andes Mountains and the Parana River. This allows its soil to be fertile, with one of the most productive agricultural sectors on the planet. Its territory is half the size of the continental United States, with only 12% of its population. That means that Argentina has an inordinate abundance of agricultural products that can be easily exported to the four corners of the Earth. Yet, no one cares. Investors seem to be tired of the country's drama. Meanwhile, foreign direct investment (FDI) is surging into agro producers, such as Brazil and Paraguay, and people sit with baited breath to see what happens with the land reforms in Ukraine, another major grain producer, FDI plunged by half in Argentina last year. However, this is not surprising. Smaller countries around the world make herculean efforts to service their debt. Some countries, such as Suriname, fret about the consequences they will suffer if they are too harsh in their debt restructuring. Yet, Argentina is a country that has already undergone nine debt restructurings, with more than half of them during the last forty years. Now, with $44 billion owed to the IMF, the political class is calling for a default on the multilateral. Yet, this is not the case in the private sector and in some of the provinces. Most Argentine corporates and many provincial governors move heaven and earth to make good on their obligations. They know that they have a moral obligation to honor their promises. They also believe that good behavior will lead to future access to the international capital markets. However, the Argentine political class has convinced themselves that the market has no memory, and that greedy investors will soon be knocking on their door. Unfortunately, that is not the case. In their desperation not to be the gil, guess who ended up being the gil?

Dr. Walter Molano, Ph.D.

March 15, 2021

EM HIGHLIGHTS 1Q21

Argentina

- According to the monthly activity indicator published by the INDEC, the Argentine economy weakened 10% y/y in 2020
- Central Bank's gross international reserves increased by US$200mm to US$39.4bn
- Total covid-19 cases reached 2.3mm, with 56k deaths and nearly 16k new cases per day recently. Vaccination process is slow, with only 1.5% of the population having received both doses
- Ban on the entry for all foreigners was extended to mid-April, while nationals have additional entry requirements if coming from Brazil, Mexico or Chile
- Ministry of Finance Martin Guzman started a tour in the US that marked the formal starting of the discussions with the IMF to negotiate its US$44bn deal
- Provincial restructurings continued with Entre Rios, Salta and Jujuy
- On the other hand, the restructuring process of BUENOS remains halted, with a group of bondholders having presented a lawsuit against NY courts for lack of payments and with the province having formally extended its Apr20 offer for the thirteenth time and informally presented an improved offer which was nevertheless rejected
- In a confrontative negotiation, YPF restructured part of its unsecured bonds, including its 21s, with the issuance of two new unsecured bonds and one secured bond (26s) backed by export receivables and the company's stake in YPF Luz
- Central Bank's Communication 7106 was extended to December 2021 with certain exceptions, including those bonds restructured in 2020 and new financing obtained
- Among euroclearable bonds implicated in the extension are MASHER, TRANAR and PANAME
- A second round of Gas Plan 4 was carried out for additional volumes during the winter period, with Pampa and Tecpetrol being awarded additional volumes
- Public hearings to define a new framework for utility bills are being carried out, with companies requiring increases of 50% or more, while government functionaries are are less constructive on potential increases
- In end-Mar21, Tecpetrol obtained a US$286mm financing from Itau to repay its related party loan with Tecpetrol Internacional

EM HIGHLIGHTS 1Q21

Brazil

- Brazilian GDP contracted 1.1% y/y in 4Q20
- Market expects 3.2% y/y GDP expansion for 2021, according to Central Bank
- Brazil`s basic interest rate SELIC rose 75 bps to 2.75% in March 2021, the first increase in six years
- Inflation rate of February 2021 LTM was 5.2%, the highest since January 2017
- The country is tightening lockdown restrictions again, with 75,533 new infections reported on average each day
- Brazil has more than 12,748,747 cases of COVID-19 and 321,515 confirmed deaths according to the Ministry of Health (as of March 31, 2021)
- The country also has 11,169,937 recovered patients (as of March 31, 2021)
- The number of vaccinated against COVID-19 reached 17.6 million according to the Ministry of Health (as of March 31, 2021)
- Government measures to reduce the Coronavirus impact sum R$620.5bn (as of December 2020) and includes financial aid packages to workers and more affected sectors of the economy
- Approval rates of the Bolsonaro administration bottomed at 30% in March 2021, compared to 37% in December 2020
- Supreme Court Judges decided in March 2021 to drop the charges against former President Lula, who should become eligible for upcoming 2022 elections
- Bolsonaro`s replaced Petrobras CEO with a military member in February 2021 signaling increased intervention
- The president also changed six government ministers in March 2021
- All three military commanders (Navy, Army, Air Force) resigned in protest to president Bolsonaro

Colombia

- The IMF raised Colombia’s economic growth estimate to 5.1% vs 4.6% prev. estimate
- Colombia’s benchmark interest rate remained at 1.75% in 1Q21
- During February, Colombia’s inflation rate remained at 1.56%. Bancolombia estimates inflation of 2.4% during 2021
- In February, the unemployment rate was 15.9% vs 12.2% in 2020.

EM HIGHLIGHTS 1Q21

Colombia (continued)

- Colombia's oil production decreased by 15% y/y in February, whilst gas production was stable vs 2020
- As of March 31, Colombia had 2.4 million confirmed covid-19 cases and 63 thousand deaths
- Colombia has already applied 2 million doses of covid-19 vaccines and has an availability of 3 million vaccines
- Fitch announced that Colombia´s tax reform could negatively affect the credit rating. Fitch downgraded Colombia's rating to BBB- from BBB in April 2020.

China

- 2021 GDP growth target was set at 6%.
- In first three months: Caixin manufacture PMI was 53.0, 51.5, 50.9; Caixin service PMI was 56.3, 52.0, 51.5.
- In first two months, number passenger cars sold increased 74% y/y and recovered to 99% of the pre-pandemic level in 2019. Chinese total export increased 50% y/y.
- During a three-day public holiday in April, number of tourists recovered to 95% of the pre-pandemic level in 2019.
- The central government released its 14th Five-Year Plan (2021-2025). During the Five-Year Plan:
  - The central government will reduce energy consumption per unit of GDP by 13.5%.
  - NDRC and Ministry of Ecology and Environment will reduce crude steel capacity by 16%.
  - PipeChina will extend total length of trunk pipe by 33%, after taking over all trunk pike assets from three state-owned oil companies.
- WHO concluded first investigation in China tracing the origin of COVID-19 pandemic.

Mexico

- During 1Q21, Mexico's Central Bank decreased the base interest rate by 25 bps to 4.0%

EM HIGHLIGHTS 1Q21

Mexico (continued)

- During March's first fortnight, Mexico's inflation rate stood at 4.12%, above Banxico's target rate of 3.0% +/-1%. In February, the unemployment rate was 4.4%.
- Moody's and the IMF improved Mexico's 2021 economic growth to 5.5% and 4.3%, respectively, in line with US economic growth.
- The Secretary of Energy published the suspension of the new energy reform after a judge ruled in favor of the private sector. The new energy reform stated energy generated by CFE's hydroelectric plants must be consumed first, then the rest of CFE's power plants, later renewables and the private sector generators.
- In February, Pemex upstream production was 1% higher m/m at 1.66 million bbls/d, decreasing by 3.6% y/y.
- Pemex and Talos did not reach an agreement regarding Zama. The Secretary of Energy will decide who the operator will be and how the profits will be split.
- The Secretary of Finance proposed new measures to lower costs of consumer borrowings, with mortgage rates potentially decreasing by 17%, personal loans by 12%-15% and credit cards interest rates by 30%. The proposal remains on the works pending formal regulatory approvals.
- Financial authorities proposed a new initiative to substitute Banxico's Bill. The initiative consists in Mexican migrants in the US sending remittances through Banco del Bienestar with better exchange rates. During the next few weeks, the Secretary of Finance will announce the agreements made with some private banks.
- During January, remittances increased by 26% y/y to US$3.3 bn
- Pemex's renegotiated the ethane gas supply contract with Braskem-Idesa, expected to save MXN$13.8 bn. The Federal Govt. did not renew the natural gas transportation services contract with the JV in December. Upon the renegotiations of both contracts, Braskem-Idesa resumed normal operations.
- In February, blackouts caused by the lack of natural gas supply from Texas given the winter storm affected northern Mexican states with US$2.7 bn in losses. Nat. gas is used to generate around 60% of Mexico's energy and 80% is imported from the US (mainly from Texas).
- As of March 31, 2020, Mexico had 2.2 million confirmed covid-19 cases and 202 thousand deaths. In late December, 5 states returned to the maximum risk level, including Mexico City and the State of Mexico, and only essential activities were allowed until February.
- As of March 31, Mexico has received 13 million doses of COVID-19 vaccines and 7 million people have been vaccinated. AMLO's administration expects to vaccinate 80 million people by June.

EM HIGHLIGHTS 1Q21

Russia

- According to the state statistics agency (Rosstat), Russia's economy did better than expected in 4Q20 with GDP bouncing back from a 7.8% y/y contraction in 2Q20 to contraction of 3.5% y/y in 3Q20 and 1.8% y/y in 4Q20.
- Russia expected to reach herd immunity (i.e. when ~70% of the population have anti-bodies) by end-August 2021. Infection rates were quite high, according to Johns Hopkins University tracker (as of April 3, 2021): 4.5 mm cases (#5) and 98,363 deaths (#7). Russia developed a vaccine (Sputnik V, Aug 2020) and started inoculations in Dec 2020, at the time of publishing, 3.2% of population has been vaccinated.
- As at end of 2020, Russia's total international reserves, including gold, amounted to US$596 billion, the 4th largest in the world after China (US$3.36 trillion), Japan (US$1.4 trillion) and Switzerland (US$1.08 trillion)
- In January 2021, Sovcombank issued US$300 mm SOVCOM 3.4% 25s Sr Eurobond exclusively for financing its 'Halva' brand cards
- In mid-March 2021, the Central Bank of Russia (CBR) raised key interest rate to 4.5% from a record low of 4.25%, unchanged since July 2020

Sub-Saharan Africa

- The Nigerian economy grew 0.1% y/y in 4Q20, ending the year with a 1.92% drop, while South Africa economy weakened 7% y/y, recovering 6.3% q/q in 4Q20
- The Nigerian government raised its debt ceiling to 40% of GDP from previous 25%, with external borrowing being capped at 30% of GDP
- Ghana tested the markets for Sub-Saharan issuers with a multi-tranche US$3bn note issuance, including a US$525mm 4yr zero-coupon bond
- Nigeria projected a crude production of 1.87mmbpd this year from 1.79mmbpd in 2020 according to the Ministry of Finance
- Seplat placed US$650mm of new 26s, with proceeds being used to repay its 23s and part of its RCF
- Additionally, the company's subsidiary Westport extended its US$100mm RCF due Nov23 with a new one due Mar26
- Tullow announced the sale of West Africa assets to Panoro for US$180mm, including US$105mm for Equatorial Guinea and US$70mm for Dusaffu. The Equatorial Guinea sale was completed, having received the upfront payment of US$89mm

EM HIGHLIGHTS 1Q21

Sub-Saharan Africa (continued)

- Helios Towers announced an agreement with Airtel Africa for the acquisition of 2.5k sites across Madagascar, Malawi, Chad and Gabon for US$108mm, increasing the group's site counts to 11.5k, expected to be financed through a combination of cash and debt
- Kosmos issued US$450mm 7.5% notes due 2028, with proceeds being used to repay part of its RCF and other commercial debt
- Additionally, Tullow completed the redetermination of its RBL, with debt capacity being reduced to US$1.7bn and the new redetermination date being Sep21

Turkey

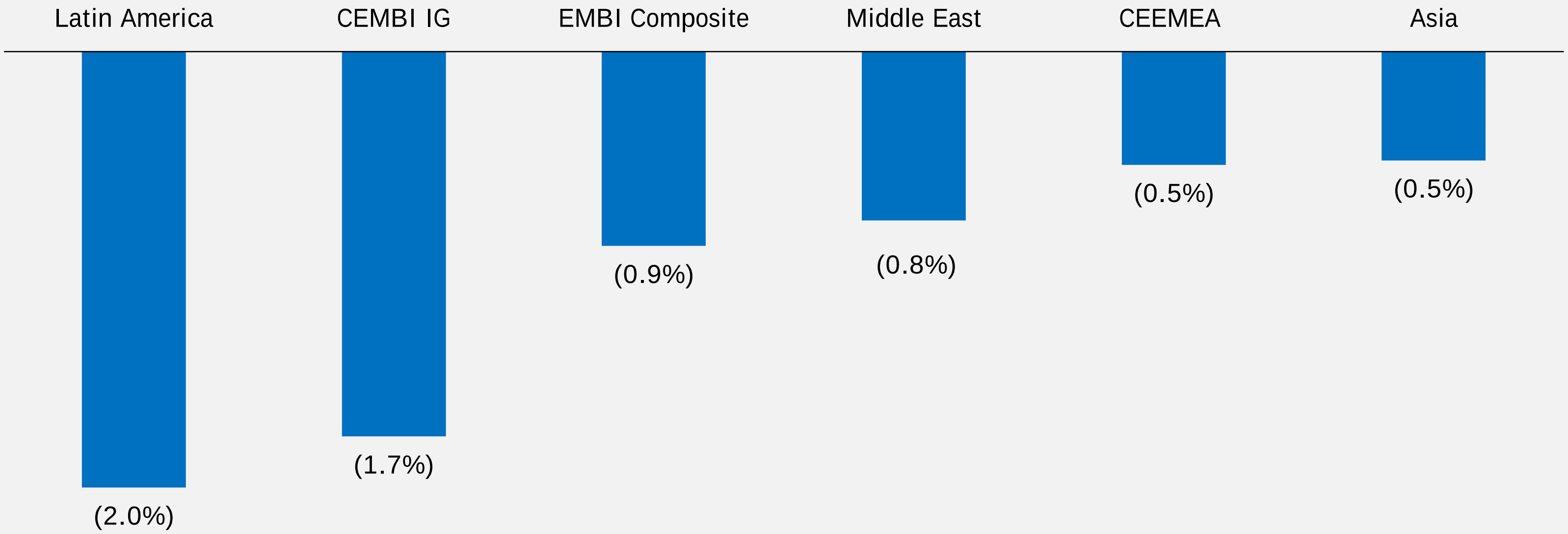
- 4Q20GDP expanded 5.9% y/y while 2020 GDP grew 1.8% y/y, fueled by cheap lending, mostly from public banks
- Total covid-19 cases reached 3.3mm, with 31k deaths and nearly 37k new cases per day recently. Vaccination process is ongoing, with 8% of the population having received both doses
- After being in office for five months and having increased rates by 675bps, President Erdogan fired the Central Bank Head Naci Agbal due to disagreements over interest rates policy. Sahap Kavcioglu, a former critic of the increased interest rates, was named as new head.
- The decision to fire the Central Bank head caused a massive selloff on the TRY, which plunged at 8.33 compared to 7.21 before the firing
- Bond prices reacted as well, with the 5yr CDS spiking to 482bps compared to 306bps before the move
- Inflation continues to escalate, ending at 16.2% in Mar21
- Following Agbal's firing, Ziraat obtained a US$400mm loan from China Eximbank, while the day before Vakif obtained a US$1.75bn securitization loan
- In February 2021, Turkey ended a two-year freeze on bank dividends, allowing lenders to distribute dividends from their 2020 net income
- Global Port Holdings started the restructuring process of its outstanding 21s with a cash + new bonds offer, expected to be implemented via a scheme of arrangement under UK law by early May 2021
- Turkish lender Alternatifbank sold US$200mm in AT1 bonds at a 10.5% rate in Apr21, while YKBNK sold US$500mm in Tier 2 bonds in mid-January 2021

EM HIGHLIGHTS 1Q21

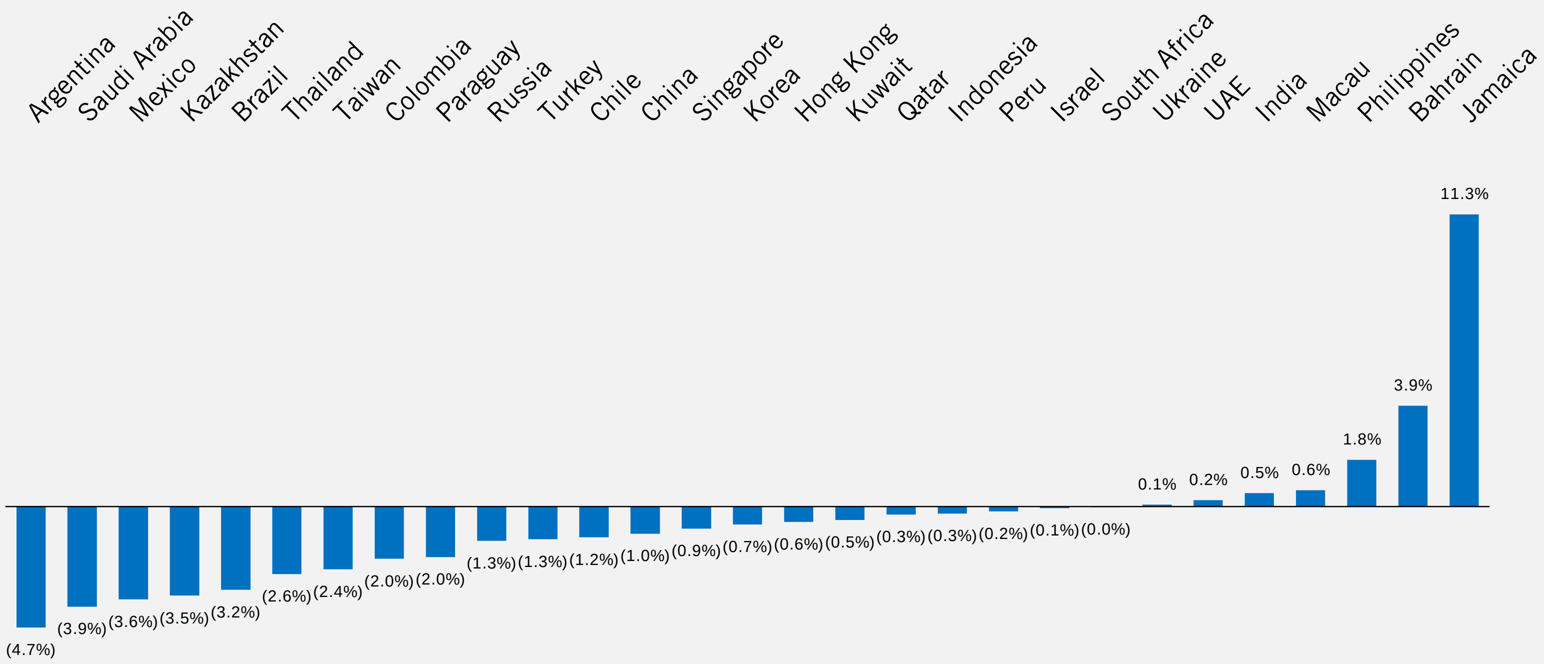
United Arab Emirates (UAE)

- The UAE economy contracted 5.8% in 2020, but, according to the UAE Central Bank, is likely to grow 2.5% in 2021. The COVID-19 pandemic hit hard this Gulf state in 2020 via the shock of low oil prices (just below US$20/barrel in April 2020) and the tremendous toll on vital non-oil economic sectors like real estate and tourism.
- In 2021, oil GDP is likely to remain flat because of production cuts agreed by OPEC +, however, non-oil GDP is likely to grow 3.6% supported by increased fiscal spending, pick up in credit and employment as well as stabilization of the real estate market, boosted by recovery in consumer and investor confidence as well as the Dubai Expo 2021 Event, which is scheduled to run from October 2021 through March 2022. The soccer World Cup in Qatar is likely to provide support as the UAE is the major transit and tourism hub in the region.
- In January 2021, the UAE resumed travel links with Qatar after more than three-year embargo together with other Arab countries
- UAE's foreign exchange reserves are at ~US$100 billion, the 25th largest in the world
- At the time of publishing, according to John Hopkins University, the UAE has 470,136 confirmed cases of COVID-19 with 1,510 deaths; 22.7% of population has been already fully vaccinated

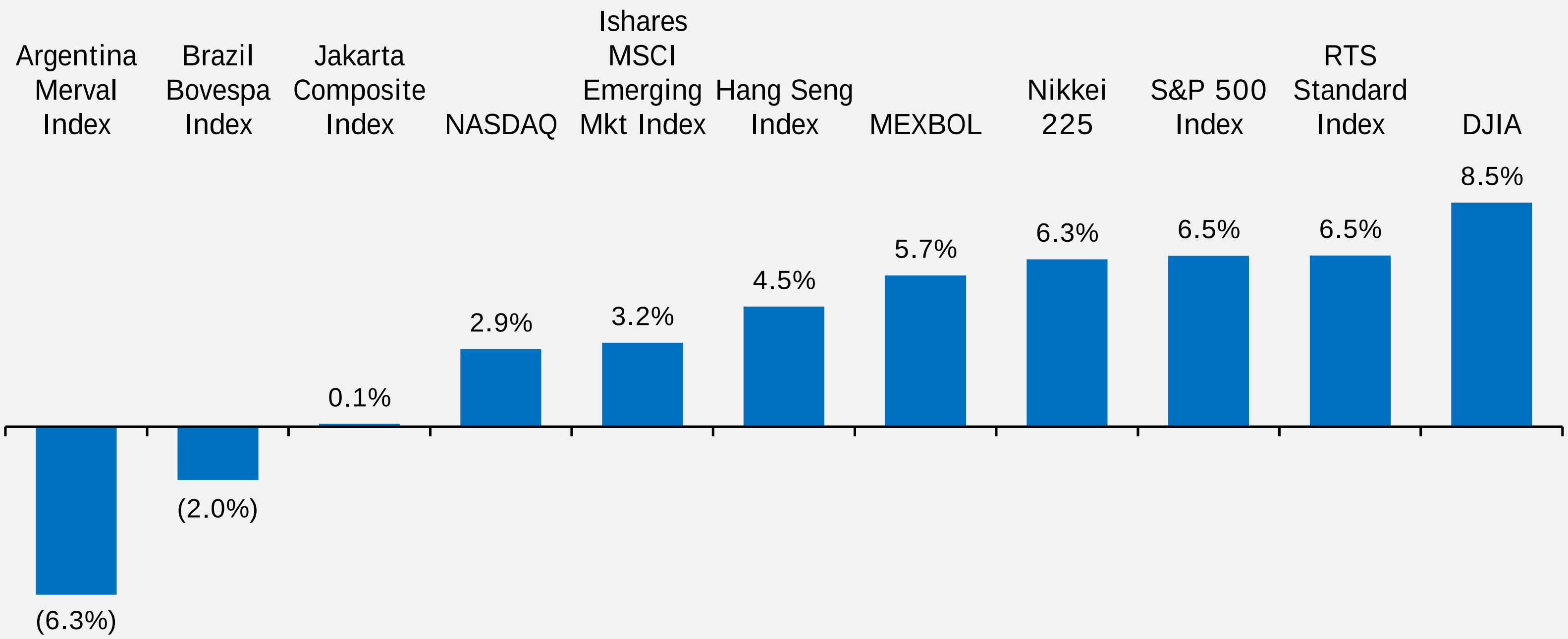
OVERVIEW
EMBI INDEX RETURNS 1Q21
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS BY COUNTRY 1Q21



OVERVIEW
GLOBAL EQUITY INDEX RETURNS 1Q21



1Q21 TOP PICKS
PORTFOLIO REVIEW

	Company	Industry	Country	Currency	From	Until	Days	Px at Recomm.	Px End	CPN	Price Appreciation	Total Return	Excess return
OUTPERFORM											**Average Return =**	**0.60%**	**0.91%**
AEROAR 27	AEROPUERTOS ARGENT 2000	Engineering&Construction	Argentina	USD	01/04/21	04/01/21	87	87.1	81.0	9.38%	(7.0%)	(4.8%)	(4.5%)
CHUBUT 30	BONO GAR PROV DEL CHUBUT	Regional(state/provnc)	Argentina	USD	01/04/21	04/01/21	87	81.0	69.5	7.24%	(14.2%)	(12.4%)	(12.2%)
KAISAG 24	KAISA GROUP HOLDINGS LTD	Real Estate	China	USD	01/04/21	04/01/21	87	97.3	96.4	9.38%	(0.9%)	1.4%	1.7%
UNIGEL 26	UNIGEL LUXEMBOURG SA	Chemicals	Brazil	USD	01/04/21	04/01/21	87	108.5	108.3	8.75%	(0.2%)	1.9%	2.2%
METINV 29	METINVEST BV	Iron/Steel	Ukraine	USD	01/04/21	04/01/21	87	109.6	106.4	7.75%	(3.0%)	(1.1%)	(0.8%)
CARINC 22	CAR INC	Commercial Services	China	USD	01/04/21	04/01/21	87	97.2	100.5	8.88%	3.3%	5.5%	5.8%
PFAVH 21	AVIANCA HOLDINGS SA	Airlines	Colombia	USD	01/04/21	04/01/21	87	97.5	98.0	11.00%	0.5%	3.2%	3.5%
DOCUFO 24	DOCUFORMAS SA	Diversified Finan Serv	Mexico	USD	01/04/21	04/01/21	87	92.0	99.5	10.25%	8.2%	10.6%	10.9%
GOLLBZ 26	GOL FINANCE SA	Airlines	Brazil	USD	02/10/21	04/01/21	50	98.0	98.0	8.00%	0.0%	1.1%	1.8%
UNDERPERFORM											**Average Return =**	**0.37%**	**0.10%**
MHPSA 24	MHP SE	Agriculture	Ukraine	USD	01/04/21	04/01/21	87	110.3	106.4	7.75%	3.5%	1.6%	1.4%
CREAL 26	CREDITO REAL SAB DE CV	Diversified Finan Serv	Mexico	USD	01/04/21	04/01/21	87	108.0	106.5	9.50%	1.4%	(0.9%)	(1.2%)
											Total Average Return =	**0.56%**	**0.76%**

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	01/04/21	04/01/21	87	506.4	505.0	(0.3%)

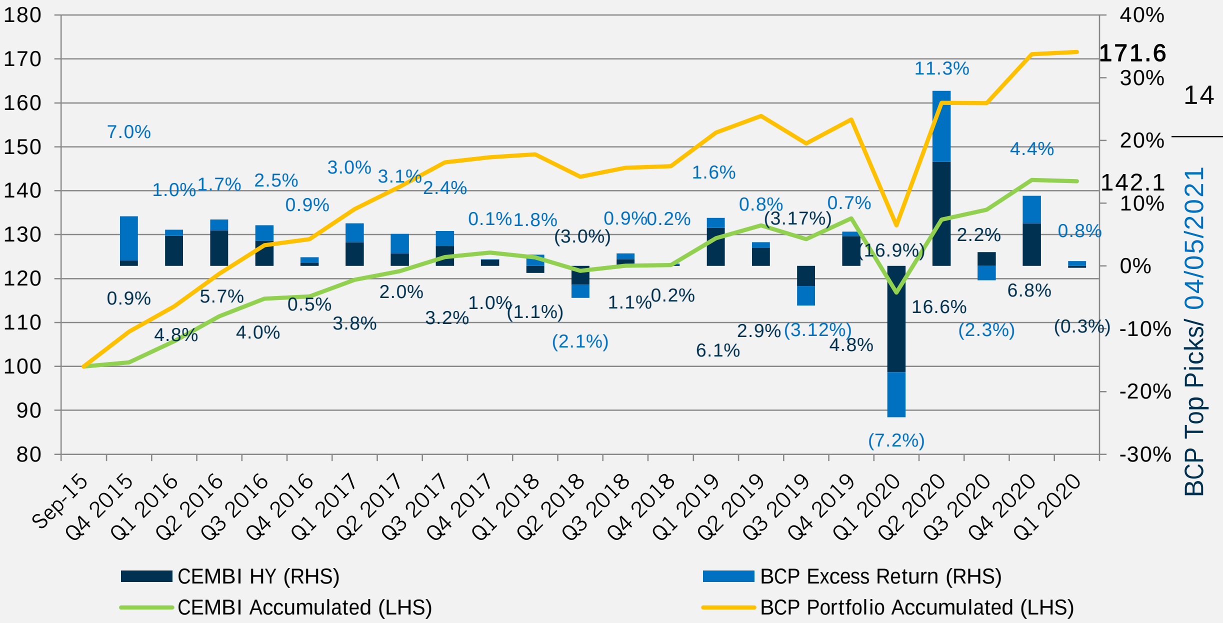
Source: Bloomberg as of 04/01/2021

1Q21 TOP PICKS
PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated positive excess return of 76 bps vs. our CEMBI HY benchmark. Outperforms returned positive 91 bps in excess.
- Our top performers were DOCUFO 24s and CARINC 22s, with excess return of 10.9% and 5.8% respectively.
- CHUBUT 30s outperform was the biggest disappointment, generating negative excess performance of 12.2%
- Over the past 22 quarters, BCP Top Picks have generated compounded excess return of 29.4% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH APRIL 1, 2021



2Q21 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid Yield Cnv	Mid Price
Outperform										
AEROAR 27	AEROPUERTOS ARGENT 2000	Engineering&Construction	Argentina	USD	$326	Caa3/ CCC+/ -	9.38%	02/01/2027	15.41%	81.50
CHUBUT 30	BONO GAR PROV DEL CHUBUT	Regional(state/provnc)	Argentina	USD	$620	Ca/ -/ CC	7.24%	07/26/2030	18.36%	69.50
YPFDAR 26	YPF SOCIEDAD ANONIMA	Oil&Gas	Argentina	USD	$776	Caa3/ -/ -	4.00%	02/12/2026	12.80%	82.25
ATENTO 26	ATENTO LUXCO 1 SA	Commercial Services	Brazil	USD	$500	Ba3/ -/ B+	8.00%	02/10/2026	6.74%	105.13
BANBRA PERP	BANCO DO BRASIL (CAYMAN)	Banks	Brazil	USD	$1,950	-/ CCC+/ -	6.25%	PERP	6.99%	98.00
ANTOIL 22	ANTON OILFIELD SERV GRP/	Oil&Gas Services	China	USD	$300	B1/ -/ -	7.50%	12/02/2022	11.26%	94.45
CHIGRA 22	GRAND AUTOMOTIVE SERVICE	Retail	China	USD	$253	-/ -/ B+	8.63%	04/08/2022	20.54%	89.67
YUZHOU 23	YUZHOU GROUP	Real Estate	China	USD	$500	B2/ -/ BB-	8.50%	02/04/2023	10.00%	97.53
DAMACR 23	ALPHA STAR HOLDING V	Real Estate	Dubai	USD	$392	-/ B/ -	6.63%	04/18/2023	7.09%	99.13
DOCUFO 24	DOCUFORMAS SA	Diversified Finan Serv	Mexico	USD	$300	-/ B/ B+	10.25%	07/24/2024	10.42%	99.50
SEPLLN 26	SEPLAT PETROLEUM DEV CO	Oil&Gas	Nigeria	USD	$650	B2/ B/ B-	7.75%	04/01/2026	7.53%	100.75
CRBKMO PERP	CREDIT BANK OF MOSCOW (C	Banks	Russia	USD	$540	Caa2u/ -/ B-	8.88%	PERP	8.53%	100.50
TCZIRA 22	TC ZIRAAT BANKASI AS	Banks	Turkey	USD	$600	B2/ -/ B+	5.13%	05/03/2022	4.76%	100.38
Underperform										
CREAL 26	CREDITO REAL SAB DE CV	Diversified Finan Serv	Mexico	USD	$400	-/ BB/ BB+	9.50%	02/07/2026	7.51%	106.50

Source: Bloomberg as of 04/05/2021

MARKET OUTPERFORM

ARGENTINA
AEROAR 9.38% 27s
CHUBUT STEP UP 30s
YPFDAR STEP UP 26 s

BRAZIL
ATENTO 8.00% 26s
BANBRA 6.25% PERP

CHINA
ANTOIL 7.50% 22s
CHIGRA 8.63% 22s
YUZHOU 8.50% 23s

DUBAI
DAMACR 6.63% 23s

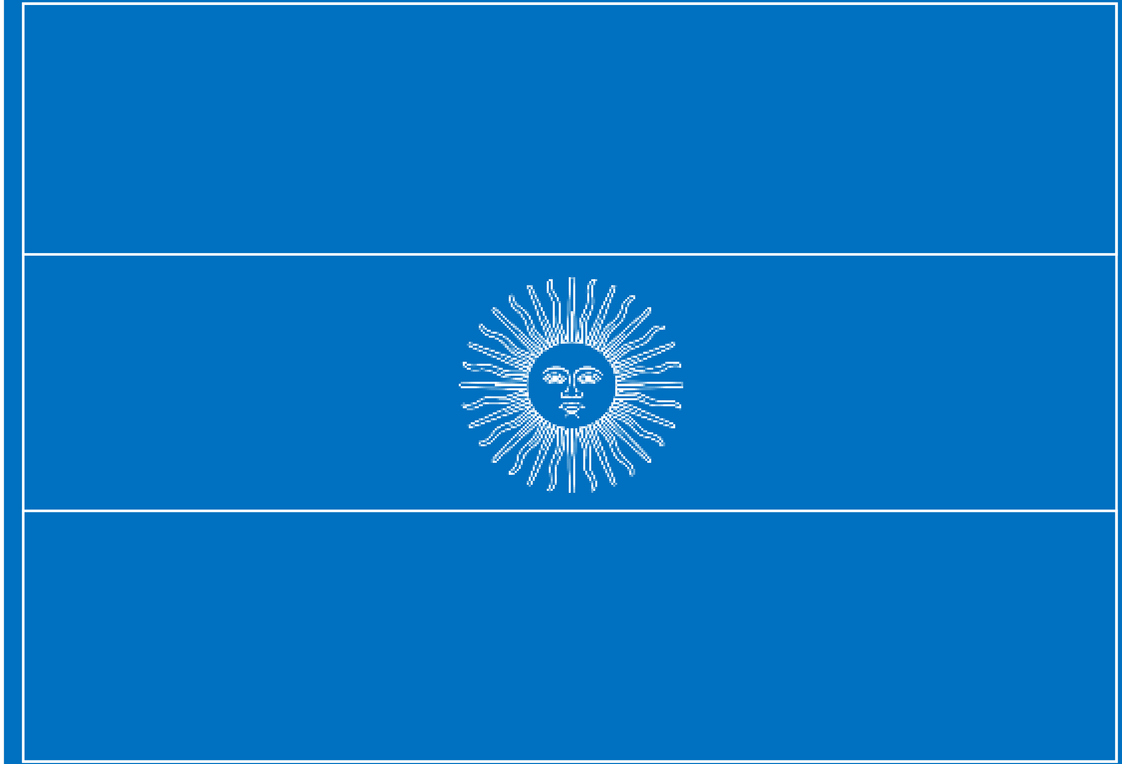
MEXICO
DOCUFO 10.25% 24s

NIGERIA
SEPLLN 7.75% 26s

RUSSIA
CRBKMO 8.88% PERP

TURKEY
TCZIRA 5.13% 22s

ARGENTINA



MARKET OUTPERFORM (ARGENTINA):

AEROAR 9.365% 27s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTCnv
AEROAR 9 3/8 02/01/2027	319	Caa3/CCC+/-	81.50	15.41%

Aeorpuertos Argentina is the largest airport operator in Argentina, operating 34 airport terminals, including the two largest airports (Ezeiza and Aeroparque). In 2019 it transported 41.2mm passengers and handled nearly 429 thousand flights, with a significant contraction in 2020 to 9.7mm and 149 thousand, respectively. The company is majority owned by Corporacion America, an Argentine holding controlled by the Eurnekian family, one of the wealthiest in the country.

PROS:

- Strong and recognized shareholder
- Operates the most important Argentine airports, including Ezeiza and Aeroparque
- Recently agreed with government to extend all concessions by 10 years to 2038, providing a runway should passenger traffic recovery take longer than expected
- Notes backed by tariff collection with sound debt service coverage pre-covid (4.1x in 1Q20 including capital amortizations). A significant portion of tariffs are collected offshore, which get trapped under a credit event.
- According to the latest financial statements, the company plans to make the May21 debt service in cash, which should ease concerns regarding a second restructuring
- Long USD: tariffs on international flights, which account for the vast portion of revenue, are set in USD (can be paid in USD or ARS at the respective f/x rate), while most of its costs are in ARS
- Sound capital structure with low net leverage (pre covid-19 crisis) of 1.9x (FY19)
- Proven access to the local market despite the reduced activity levels: in Aug20 the company placed US$40mm in dollar-linked notes at 0% rate

CONS:

- Covid-19 and lockdown measures have significantly reduced operations. Recovery in 4Q20 was halted by a new wave in 1Q21
- Given the current traffic levels, the company would need to tap its cash balance in order to pay for the May21 debt serve, as we estimate at least 65% of pre-covid traffic is needed
- August21 and November21 debt service repayments are more sensible to traffic recovery in the absence of local financing alternatives
- Per the recent concession extension, the company has new committed capex requirements of US$500mm for the period 2022-2027, which may require additional debt at some point. Covenants allow for the issuance of additional pari passu debt provided next debt service coverage is 1x
- Following capital controls, the company must repatriate its offshore tariff collections, although under an event of default or any trigger event, the funds get trapped in the offshore accounts
- Lack of debt reserve accounts

MARKET OUTPERFORM (ARGENTINA):

AEROAR 9.365% 27s

MINIMUM TRAFFIC LEVELS:

- We base our stress test on 1Q20 results
- Our results are based in real terms of ARS as of 1Q20
- We split opex between fixed and variable
- We reduce revenue and variable costs by the same amount
- We maintain fixed expenses unchanged
- We estimate the company will generate enough cash flow to serve the May21 debt amortization with 65% traffic level in the first four months of 2021 compared to pre-pandemic levels (1Q20)
- We estimate to serve the coupon only, the company would need 55% of the traffic level
- We highlight that any shortfall can be covered by the company's US$84mm cash position, as validated with the company's comments on its latest financial statement
- We think the concession extension eventually provides a runway for a principal extension beyond 2027 if traffic recovery takes longer than expected
- We note that during the months of lockdowns the company managed to be free cash flow neutral despite the significantly reduced activity levels. We also note that our analysis does not assume any possible reduction in fixed expenses after the crisis

AEOROAR (AR$MM)	1Q20	Fixed / Variable	Jan-21 to Aprl21 (4 months)	
Reduction in traffic			35%	45%
Revenue	8,961		7,766	6,572
Salary expenses	1,579	Fixed	2,105	2,105
Specific income assigned to state	1,330	Variable	1,153	975
Airport maintenance	1,329	Fixed	1,772	1,772
Taxes	590	Variable	511	433
Fees and public services	235	Fixed	313	313
Office expenses	197	Fixed	263	263
Other cash expenses	125	Variable	167	167
TOTAL CASH EXPENSES	5,385		6,284	6,028
OPERATIONAL CASH FLOW	**3,567**		**1,482**	**544**
USDmm @ exchange rate at Mar20	**60**		**23**	**8**
May 2021 full debt service			19	19
May 2021 coupon only			5	5
	Mar20		Dec20	Dec20
Cash position (US$mm)	**35**		**84**	**84**

MARKET OUTPERFORM (ARGENTINA):

AEROAR 9.365% 27s

ANALYSIS OF 2020 RESULTS:

- Revenue decreased 58% during FY20 to AR$21.3bn
- Passenger traffic grew 2,182% q/q in 4Q20, although still 91% lower y/y
- Airplanes movements increased 76% y/y in 4Q20, having decreased 71% y/y
- EBITDA during the year dropped 78% y/y to AR$4.4bn
- EBITDA margin contracted 19 p.p. y/y to 20%
- Simplified free cash Flow was negative AR$1.7bn given by the thin EBITDA, which was partially offset by positive working capital management
- Net debt ended at US$451mm
- Cash and equivalents totaled US$84mm at Dec20
- LTM net leverage ended at 8.7x
- In the financial statements, the company stated that the coupon and principal payment of the 26s that is due May21 will be made in cash. After May21 the coupon on the 26s will step down to 6.875% as the PIK period will finish
- Regarding holdouts of the exchange, ion Feb21 the principal and debt payment was made on time
- Additionally, in February the company obtained four loans at Badlar + 5%, with proceeds used to cancel the syndicated loan installment due February

AEOROAR (AR$MM)	2020	2019	y/y
Revenue	21,320	50,708	(58%)
EBITDA	4,364	19,578	(78%)
EBITDA margin	20%	39%	

AEOROAR (AR$MM)	4Q20	4Q19	3Q20*	y/y	q/q
Total Debt	45,014	39,925	39,963	13%	13%
Cash and Equivalents	7,097	2,782	5,600	155%	27%
Net Debt	37,917	37,143	34,363	2%	10%
Leverage (Total Debt/LTM EBITDA)	10.3	2.0	6.8		
Net leverage (Net Debt/LTM EBITDA)	8.7	1.9	5.9		

* Not inflation adjusted

AEOROAR (AR$MM)	2020	2019
EBITDA	4,364	19,578
Working capital	(6,240)	(2,254)
Capex	(10,211)	(28,083)
Interest paid	(2,127)	(2,471)
Taxes paid	(6)	(918)
FCF	**(1,740)**	**(14,148)**

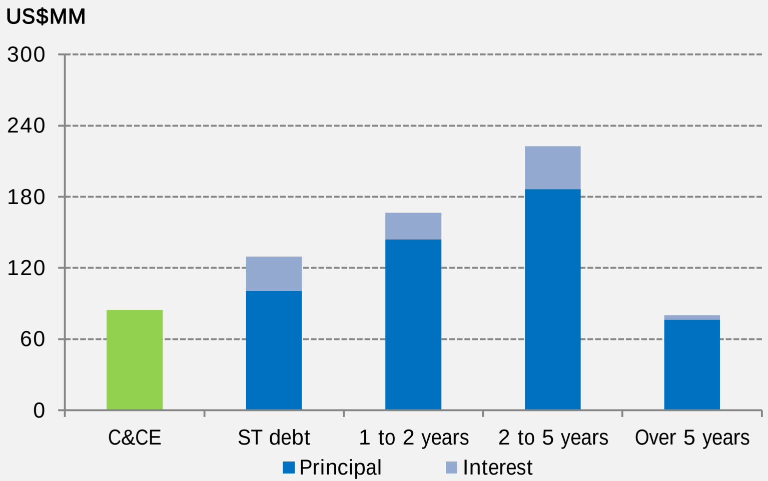
MARKET OUTPERFORM (ARGENTINA):

AEROAR 9.365% 27s

EXCHANGE OFFER

- The company offered par for par of new 2027s for those participating before early deadline of May 1st, 2020
- For those participating after and until final deadline of May 18th, 2020 the company offered 90c
- Collateral remained unchanged, while holdouts were stripped of minor covenants but retain collateral
- 1% of the coupon of May 1st was paid in cash while remaining was PIK'ed
- Coupons due in August 1st 2020, November 1st 2020 and February 1st 2021 PIK'ed at an increased rate of 9.375%
- Principal amortizations that are due on May 1st 2020, August 1st 2020, November 1st 2020 and February 1st 2021 under the old bonds will be deferred, with quarterly principal repayments restarting in May 1st, 2021
- Participation rate before early tender was 85.23% and total participation was around 90%
- Exchange became effective May 20th, 2020
- In February 2021, the company renegotiated the principal repayment under the syndicated loan maturing in the month for a total amount of US$13.3mm, deferring such amount to installments between March 2022 and February 2023

PRO FORMA DEBT AMORTIZATION SCHEDULE 12.31.2020 (*)



(*) Pro-forma for the syndicated loan renegotiation in February 2021

MARKET OUTPERFORM (ARGENTINA):

CHUBUT STEP-UP 30s

The Province of Chubut is situated in the Patagonia region, with a population of nearly 510 thousand people and a poverty rate of around 36.0% in its main urban areas according to INDEC at Jun-20. The province is the highest oil and fourth largest gas producer, with a total production of 143kbpd, and 51kboepd in 2020, respectively, with proven reserves of nealyr 1,052mmbbl of oil and 204mmboe of gas as of Dec-18.

Description	Amt. (US$ MM)	Rating (M/SP/F)	Mid Price	Mid YTCnv
CHUBUT 7.75% 7/26/2030	620	Ca/-/CC	69.50	18.36%

PROS:

- Largest crude and fourth largest gas producer, with access to exports
- Notes backed by oil & gas royalties, a USD indexed payment stream
- Following the province's irrevocable instructions given to concessionaries, royalties are paid directly to a local trust account
- Structure proved to be resilient throughout the restructuring despite the significant fiscal deficit
- Benefits more than Neuquen of the crude rally due to its heavier reliance on oil
- Recent restructuring provided additional concessions royalties of which will serve as collateral once BODIC bonds are fully repaid by Mar21. We estimate coverage at current production and prices should remain above 1.9x throughout the life of the bonds at current crude prices
- Coupon structure was broadly maintained in the restructuring, with a slight reduction in 2021 which was offset by the consent fee provided
- The global reduction in heavy oil production has significantly reduced price differentials vs. light oil

CONS:

- A significant portion of the production is heavy oil, historically sold at lower prices than Neuquen's light oil
- Debt service coverage is subject to crude prices and production
- Lower debt service coverage than Neuquen given its higher debt burden
- While bonds are under NY law, trust in charge of royalty collection was created under Argentine law, which may provide a way to locally breach the bond structure
- Royalties per law are paid onshore and in ARS. As a result, Central Bank regulations may limit the access to USD and the transfer of funds offshore
- PAE concessions mature in 2027, although they can be extended for another 20 years upon satisfaction of certain activity levels
- Fiscal balance has significantly deteriorated since 2019, at 20% of current income in the first nine months of 2020
- Historical union confrontations
- Restructured bonds, although with practically no NPV haircut

MARKET OUTPERFORM (ARGENTINA):

CHUBUT STEP-UP 30s

ESTIMATED DEBT SERVICE COVERAGE OF CHUBUT 2030 AT US$55 CRUDE, US$2.5/MMBTU GAS AND LTM PRODUCTION AS OF FEB2021

'US$000	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24
Interest payment	12,006	11,943	11,880	11,817	11,625	11,433	11,241	11,049	10,671	10,293	9,915	9,538
Principal payment	3,250	3,250	3,250	9,913	9,913	9,913	9,913	19,500	19,500	19,500	19,500	25,025
Total debt service	15,256	15,193	15,130	21,730	21,538	21,346	21,153	30,549	30,171	29,793	29,415	34,563
Estimated royalties	58,384	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030
Estimated Debt Service Coverage	**3.8**	**4.3**	**4.4**	**3.0**	**3.1**	**3.1**	**3.1**	**2.2**	**2.2**	**2.2**	**2.2**	**1.9**

'US$000	Apr-24	Jul-24	Oct-24	Jan-25	Apr-25	Jul-25	Oct-25	Jan-26	Apr-26	Jul-26	Oct-26	Jan-27
Interest payment	9,053	8,568	8,083	7,598	7,113	6,629	6,144	5,659	5,174	4,689	4,204	1,780
Principal payment	25,025	25,025	25,025	25,025	25,025	25,025	25,025	25,025	25,025	25,025	25,025	22,750
Total debt service	34,078	33,593	33,108	32,623	32,138	31,654	31,169	30,684	30,199	29,714	29,229	24,530
Estimated royalties	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030
Estimated Debt Service Coverage	**1.9**	**2.0**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**	**2.2**	**2.2**	**2.2**	**2.3**	**2.3**

'US$000	Apr-27	Jul-27	Oct-27	Jan-28	Apr-28	Jul-28	Oct-28	Jan-29	Apr-29	Jul-29	Oct-29
Interest payment	1,339	980	621	262	219	175	131	1,780	1,339	980	621
Principal payment	18,525	18,525	18,525	2,259	2,259	2,259	2,259	22,750	18,525	18,525	18,525
Total debt service	19,864	19,505	19,146	2,521	2,477	2,434	2,390	24,530	19,864	19,505	19,146
Estimated royalties	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030	66,030
Estimated Debt Service Coverage	**2.3**	**2.4**	**2.4**	**2.7**	**3.3**	**3.4**	**3.4**	**26.2**	**26.7**	**27.1**	**27.6**

MARKET OUTPERFORM (ARGENTINA):

CHUBUT STEP-UP 30s

DECEMBER 2020 RESTRUCTURING

- No principal haircuts
- New maturity July 26, 2030
- Coupon structure:

7.24% from October 26, 2020 (last payment date) until October 26, 2021
7.75% from October 26, 2021 until maturity

- 50bps consent fee
- New amortization schedule comprised of 40 quarterly installments of:

4.1666% that was paid October 26, 2020
4 installments starting January 26, 2020 of 0.5% of the initial aggregate principal (US$650mm)
Next 4 installments 1.525%
Next 4 installments 3.0%
Next 16 installments 3.85%
Next 1 installment 3.5%
Next 3 installments 2.85%
Next 4 installments 0.3475%
Next 3 installments 0.2311%

- Include as collateral the royalties from the concessions that serve to back the BODIC 2 bonds, once these bonds are fully repaid
- Include a new Surplus Coverage Trigger Event that will require the province to redeem, in the case that starting October 2022 the debt service coverage exceeds 2.0x within 180 days, the lower of US$33.8mm of bonds and 50% of the difference between the aggregate Specified Royalties deposited in the collateral account during the applicable period and the amount of royalties corresponding to a coverage of 2.0x
- Debt Service Reserve Account will be considered fully funded as long as in the local peso bank account there are enough funds to repay:

From first payment date to the 14th collection period, the full amount of the interest due on the next payment date
To the 15th collection period, full interest and 33% of principal amortization due on the next payment date
To the 16th collection period, full interest and 66% of principal amortization due on the next payment date
Thereafter until maturity, full interest and principal due on the next debt service

- A trigger event will occur if the coverage falls below 1.35x or if the debt reserve account is not fully funded, which will result in all royalties getting trapped in the reserve accounts and being converted into dollars and to be used to repay the principal owed in reverse order of maturity
- We note that the new maturity in 2030 is beyond the expiration of the concession granted to PAE, which occurs in 2027
- At maturity, the concessions will be subject to the control of Petrominera Chubut SE
- Upon satisfaction of certain activity levels, which include investments of US$1bn from 2017 to 2026 and having reserves equivalent to at least two years of production, PAE will have the right to operate the concessions for another 20 years

MARKET OUTPERFORM (ARGENTINA):

CHUBUT STEP-UP 30s

Province of Chubut (AR$MM)	9M20	9M19	+/-	%	2019	2018
Current income	71,910	58,376	13,534	23%	81,643	54,005
Local tax revenues	12,435	10,940	1,495	14%	15,471	10,872
National taxes	19,888	15,001	4,887	33%	20,751	14,171
Current transfers	5,139	2,845	2,294	81%	3,658	4,257
Royalties	13,910	12,521	1,389	11%	17,353	11,921
Social security	13,392	9,328	4,064	44%	14,982	7,761
Other current income	7,146	7,741	(595)	(8%)	9,428	5,023
Current expenses	(77,418)	(53,819)	(23,599)	44%	(78,877)	(43,428)
Personnel expenses	(49,682)	(34,468)	(15,214)	44%	(49,948)	(27,133)
Current transfers	(6,834)	(4,952)	(1,882)	38%	(7,422)	(4,257)
Good and services	(3,332)	(2,673)	(659)	25%	(4,282)	(2,862)
Social security	(17,548)	(11,710)	(5,838)	50%	(17,203)	(9,159)
Capital income	736	786	(50)	(6%)	1,080	1,666
Capital expenditures	(5,652)	(5,055)	(597)	12%	(7,137)	(6,239)
Primary surplus / (deficit)	**(10,424)**	**288**	**(10,712)**	**(3,719%)**	**(3,291)**	**6,004**
as % of current income	(14%)	0%			(4%)	11%
Interest	(4,211)	(3,428)	(783)	23%	(4,990)	(3,604)
Total surplus / (deficit)	**(14,635)**	**(3,140)**	**(11,495)**	**366%**	**(8,281)**	**2,400**
as % of current income	(20%)	(5%)			(10%)	4%
Total deficit w/ ppal amortization (*)	(15,589)					
as % of current income	(22%)					

(*) Excluding US$13mm principal repayments in 2021

	Jun20	2019	2018
Gross debt (AR$mm)	**66,725**	**55,973**	**37,483**
Gross debt (US$mm)	947	935	995
Gross debt / current income	90%	90%	81%

Government: current governor is Mariano Arconi from the center CST party, who was reelected in June 2019 for a four-year term and who has been one of the closest allies of the Alberto Fernandez presidential campaign.

MARKET OUTPERFORM (ARGENTINA):

YPF STEP-UP 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTCnv
YPPFDAR Step-up 02/12/2026	775	Caa3/-/-	82.25	12.80%

Majority owned by the government with a 51% stake, **YPF** is the country's largest integrated oil & gas producer. It is also the largest downstream company, with more than half of total sales. At Dec-20, YPF had total proven reserves of 922 million boe. Additionally, the company is the majority owner of Metrogas, the country's largest gas distributor, and has a 50% stake in YPF Luz. YPF is listed in the NYSE and the local exchange, with a US$1.6bn market cap

PROS:

- Scale: Largest player in the local oil & gas industry and largest issuer in terms of revenue and assets
- Integrated company. Oil production almost entirely used at its refineries
- Main concessionaire of Vaca Muerta shale formation
- Diversified production among concessions
- 26s are secured by export receivables, collected in a New York account in Citibank, and the 50% stake in YPF Luz (as long as 50% of original principal remains outstanding)
- Exports in 2020 totaled US$1.2bn and in 2019 US$1.8bn, providing strong coverage for the 2026 debt service
- If a blocking event notice is issued by YPF or if an event of default occurs, the export collections get trapped in the offshore accounts
- A two-debt service payment debt reserve account is maintained in offshore accounts
- Strong covenant protection, including the prohibition to issue additional 26s

CONS:

- Initially short USD: downstream prices are set in ARS. Downstream represents the vast majority of third-party revenue
- Low average life of reserves: 5.4 years for P1 and 3.1 years for PDP, limiting ability for further capex reduction. 1P reserves have dropped 41% since peak levels
- Decreasing production (9% y/y in 2020 and 20% from peak levels) due to low capex levels over the past years
- We estimate development cost of PUD is at nearly US$20/bbl, well above capex guidance levels for 2021 of US$11.9/bbl
- We estimate required crude and gas prices for PUD development and debt amortizations in 2022 are at above US$70/bbl and US$3.7/MMBTU, respectively. As a result, we see continuing risk of production and reserves decrease or a second restructuring of unsecured bonds in 2022
- In order to benefit from the crude rally, the company needs to do the passthrough to downstream prices, which has been limited as the government has been focusing on inflation levels
- Proceeds held in the export collection account will be deposited in the reserve payment account promptly after receiving clearance from the Central Bank, which will be notified by YPF to Citibank in writing, hence having some exposure to Central Bank manipulation

YPF STEP-UP 26s

NEW BONDS FROM RESTRUCTURING:

	2026	2029	2033
Maturity	Feb-26	Jun-29	Sep-33
Amount (US$mm)	775	747	575
Coupon	4% until Dec22, 9% quarterly thereafter	2.5% until Dec22, 9% semiannual thereafter	1.5% until Dec22, 7.0% semiannual thereafter
First coupon payment	May 2021	June 2021	March 2021
Ranking	Secured by Sales Right, Collateral Accounts and shares of YPF Luz (this latter as long as 50% remain outstanding)	Unsecured	Unsecured
Amortization	13 quarterly installments starting Feb-23	7 semi-annual installments starting Jun-26	4 annual installments starting Sep-30
Additional notes	No additional notes can be issued after settlement date	Additional notes can be issued	Additional notes can be issued
Governing Law	New York	New York	New York

2026 Secured Bond Collateral Package:

1) Sales Right: all accounts, intangibles, receivables and rights under present and future sales agreements for the sale of exportable products

2) Collateral Accounts:

- Export Collection Account (ECA): a US account at Citibank NY under the name of YPF, which will be the second beneficiary, where exports are collected. Unless an event of default occurred, YPF is required to instruct Citibank to transfer funds to the Export Clearance Account or to release them to YPF
- Export Clearance Account (ECA2): a US account at Citibank NY which will be under the sole and exclusive control of the Offshore Collateral Agent (Citibank)
- Reserve and Payment Account (RPA): a US account at Citibank NY under the sole and exclusive control of Citibank

Waterfall

- Proceeds deposited in the ECA will be transferred to the ECA2 and then to the RPA to comply with the minimum coverage ratio (1.25x of the next two debt service payments), all other proceeds will be released to YPF
- If a Blocking Event Notice is issued by YPF or if an event of default occurs, Citibank will direct the ECA to transfer all proceeds to the ECA2, for further transfer to the RPA
- Importantly, proceeds held in the ECA2 will be deposited in the RPA promptly after receiving clearance from the Central Bank, which will be notified by YPF to Citibank in writing

3) A Pledge on shares of YPF Luz as long as 50% of the original principal issued remains outstanding

MARKET OUTPERFORM (ARGENTINA):

YPF STEP-UP 26s

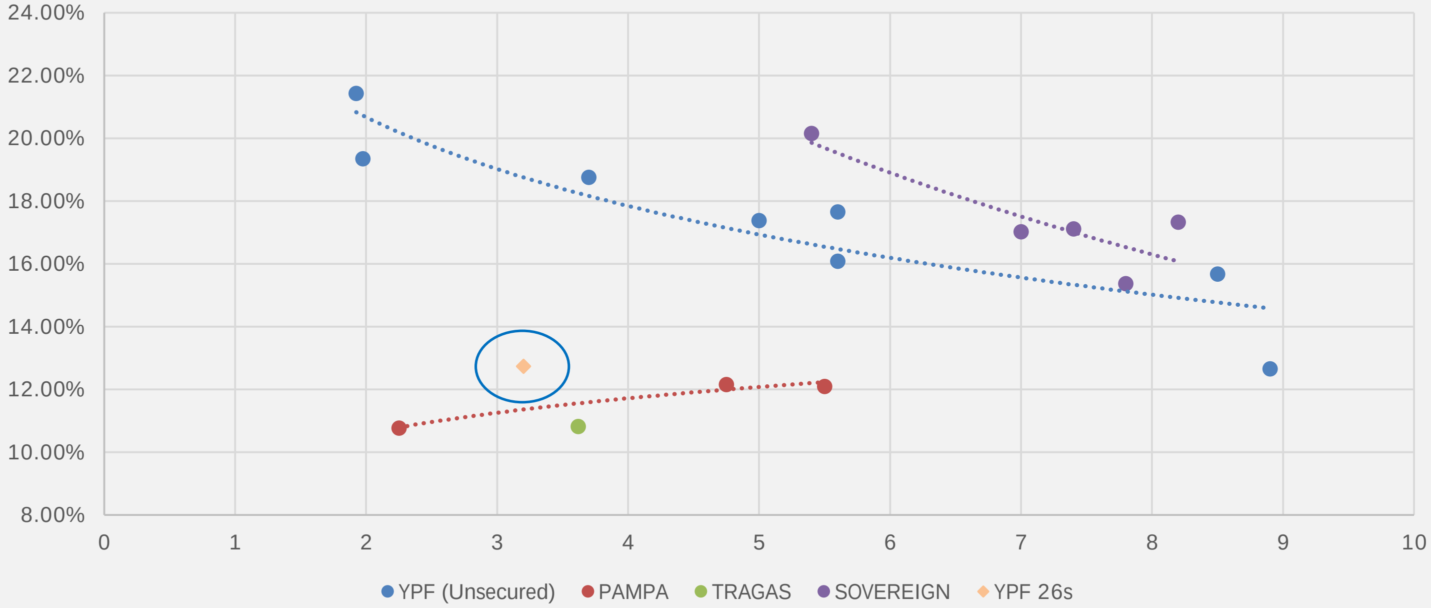
NEW COVENANTS RESTRICT FUTURE SECURED INDEBTEDNESS:

- No further 26s can be issued after the settlement date
- Additionally, no additional indebtedness can occur as long as net leverage is above 4x by Dec21, 3.75x by Dec22, 3.5x by Dec23 and 3x thereafter (with certain carve outs)
- Negative pledge: the company or any of its subsidiaries cannot create or assume any additional liens on any present or future property to secure a public indebtedness unless the 26s, the 29s and the 33s are equally and ratably secured therewith
- Restricted payments in place with regards to dividend distribution, share repurchases, debt repurchases prior to maturity and restricted investments
- As a result, if the company issues any future secured debt maturing after 2026 (in order to comply with the first bullet above), the 29s and 33s will become secured and pari passu debt, which would significantly subordinate any existing unsecured note

MARKET OUTPERFORM (ARGENTINA):

YPF STEP-UP 26s

YPF CURVE VS ARGENTINE PEERS



BBG as of 3/31/2021

MARKET OUTPERFORM (ARGENTINA):

YPF STEP-UP 26s

WE STILL SEE A LACK OF FCF GENERATION TO COVER FULL CAPEX NEEDS AND PRINCIPAL AMORTIZATION

	4Q20	Spot	FCF neutral
Oil realized price (US$/bbl)	40.0	58	71
Spot crude price assumes 10% discount to current Brent of US$64			
Gas realized price (US$/MMTU)	2.4	3.0	3.7
Spot gas price includes Plan Gas 4			
Gas realized price (US$/bbl)	13.3	16.7	20.5
Upstream volumes - bbl (revenue / prices)	36,818	36,818	36,818
Crude	18,500	18,500	18,500
Gas	18,318	18,318	18,318
Current volumes in order to align sales volumes with production			
Upstream revenue (US$mm)	975	1,375	1,689
Crude	740	1,070	1,313
Gas	244	305	376
Increase vs 4Q20		400	714
Annualized increase		**1,602**	**2,858**
FCF 2020	(419)		
Capex level 2020	1,678		
BCP capex estimate for dev cost of PUD*	3,338		
Incremental FCF need	2,129		
Amortizations 2022	687		
Total additional FCF needs for full capex + amortizations	**2,816**	**2,816**	**2,816**
Pro-forma vs additional FCF needs		**(1,213)**	**42**

*Assuming US$19.2/boe of production.

- In order to generate the extra cash flow needed for the required capex level we calculated for PUD development(*) and the 2022 debt amortizations, we think local crude realized prices would need to be around US$70 with a gas price of US$3.7/MMBTU
- Historically, local crude prices had a discount of around 10% to Brent (see slide 10)
- If gas prices stay at US$3/MMBTU, which account for the Plan Gas 4, we think the required local crude price would need to be US$75
- Under current spot prices, we see a financing gap of US$1.2bn
- Importantly, for this math we assume our capex estimate of PUD development instead of the company's guidance
- If using the company's 2021 capex guidance, then we see a financing gap of around US$100mm for 2022, which can be financed through the local market or working capital management

MARKET OUTPERFORM (ARGENTINA):

YPF STEP-UP 26s

ANALYSIS OF 4Q20 RESULTS:

- Revenue missed BBG consensus by 7%, decreasing 2% q/q to US$2,270mm given lower natural gas sales and a decrease in grain and flour exports
- Exports in 2020 totaled US$1.2bn which, while 34% lower y/y, provide strong coverage for the 26s' debt service
- E&P production decreased 10% q/q to 428kbpd which
- Adjusted EBITDA (excluding IFRS 16 impact) decreased 53% q/q to US$183mm
- EBITDA was impacted by a US$118mm charge recognized due to the termination of the charter agreement and liquefaction service with Exmar
- Excluding this effect, EBITDA would have dropped 23% q/q to US$301mm
- Free cash flow was positive US$119mm given by strong working capital gains of US$513mm
- Working capital gains: US$207mm of trade receivables (due to collection of legacy plan gas receivables), US$178mm of inventory, US$54mm of trade payables
- Net debt dropped 2% q/q to US$7,076mm
- Cash and equivalents ended at US$994m. According to the company, 74% of this cash is held in ARS, compared to only 5% of debt denominated in ARS
- LQA net leverage (based on adjusted recurring EBITDA) grew to 5.9x from 4.6x in previous quarter , with reported LTM leverage of 4.9x

YPF (US$MM)	4Q20	4Q19	3Q20	y/y	q/q
Revenue	2,270	3,447	2,327	(34%)	(2%)
Local revenue	2,048	2,927	2,061	(30%)	(1%)
Exports	222	519	267	(57%)	(17%)
Adjusted EBITDA	183	660	392	(72%)	(53%)
Adjusted recurring EBITDA	303	660	392	(23%)	(54%)
Adjusted EBITDA margin	8.1%	19.1%	16.8%		

YPF (US$MM)	4Q20	4Q19	3Q20	y/y	q/q
Total Debt	8,070	8,912	8,207	(9%)	(2%)
Cash and Equivalents	994	1,246	1,004	(20%)	(1%)
Net Debt	7,076	7,666	7,203	(8%)	(2%)
LQA gross Leverage	6.7	3.4	5.2		
LQA Net leverage	5.9	2.9	4.6		

YPF (US$MM)	4Q20	4Q19	3Q20
EBITDA	183	660	392
Working capital	513	374	11
Capex, net of sales	(410)	(787)	(191)
Interest paid	(159)	(203)	(251)
Taxes paid	(8)	(11)	(12)
FCF	**119**	**33**	**(51)**

BRAZIL

MARKET OUTPERFORM (BRAZIL):

ATENTO 8.00% 26s

Atento is a leading multinational company in the CRM BPO (Consumer Relationship Management and Business-process Outsourcing) sector, with the bulk of operations in Brazil and strongly linked to Telefonica Group's (Spain) operations. Atento is publicly listed on the NYSE, with a current market cap of US$298mm. Controlling shareholders includes HPS (~25%), GIC (~22%) and Farallon (15%). The company operates in 13 different countries.

Atento managed to post strong results for 2H20 with a faster than expected recovery from COVID19 and its ongoing transformational program. We highlight manageable net leverage at 2.5x-3.0x, top line local CCY growth and cash preservation in the period. Company also successfully refinanced its 22s note extending debt maturity and creating adequate runaway for business recovery and transformation. Ultimately, despite secular threats to the sector we think Atento has proven its operational importance and leading position, as we see a bankable credit that compares favorably to current tight Brazil HY market. Accordingly, we upgrade Atento 26s to 'Market Overperform'.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
ATENTO	8.00%	02/10/2026	500	Ba3 / - / B+	105.13	6.74%

Pros

- Consolidated strong market share presence in areas of operation, leader in Latam ~17%.
- Including leading position in Brazil (27%), Mexico (22%), Peru (32%), Chile (28%) and Argentina (19%)
- Scale of operations and geographical diversification (operating in 13 different countries)
- Long term relationship with clients and high contract renovation rates (~95%)
- Have been successfully diversifying revenue stream from Telefonica, goal is to have a 25% exposure by 2022
- Transformation plan seems to be well underway with margin improvement, efficient cost cutting initiatives, cash preservation and top line growth in local CCY
- Refinanced 2022 maturity
- Leverage levels at sustainable 2.5x -3.0x level, beat over general market estimates for FY2020

Cons

- Still very dependent on Telefonica operations, ~39% of revenue
- High client concentration with top 10 clients surpassing 70% of revenue
- MSA with Telefonica expires in December 2021 (except Brazil and Spain that expires December 2023) – we highlight that doesn't mean termination of any local agreement between companies (130 individual contracts)
- Contract service industry has suffered with companies developing in-house solutions and digital channels for customer voice service replacement
- Most contracts have no minimum volumes agreements set and historically, fines from large clients are difficult to access in the sector
- FX risks exposure with ~20% of revenue in hard currency

MARKET OUTPERFORM (BRAZIL):

ATENTO 8.00% 26s

4Q20 Results – Positive

- 4Q20 revenue increased 5% q/q and decreased 11% y/y to U$397mm beating consensus by 11%
    - We note negative local currency depreciation impact y/y in top line as revenue increased 2% y/y on constant currency terms
- 2% y/y increase was driven by multisector 6.2% y/y growth offsetting 7% y/y lower TEF revenue, all in CCY terms
- Revenue by regions: Brazil (42%), Americas (42%), EMEA (18%)
- EBITDA increased 19% q/q sequentially while down 15% y/y to US$54mm, beating consensus by a solid 18%
    - For the annual comparison we exclude from 4Q19 EBITDA non-recurring events in the period including transformation process costs and impairment in Argentina, for a total of US$42mm
    - Sequential increase in EBITDA and margins points to successful implementation of transformational program migrating contracts into the multisector digital segments
        - Company stated it achieved US$85mm in annualized cost savings for FY2020, in which US$60mm should be carried out into 2021
    - Brazil EBITDA increased 27% y/y in CCY at peak 18.4% margins
- FCF positive at US$25mm on stronger EBITDA
    - We note OCF stood at 118% of Adj. EBITDA as Adj. EBITDA considered non-cash change in provisions and share-based payment expenses
- Total debt increased 2% q/q to US$727mm
    - Cash position increased 6% q/q to US$209mm and net debt remained practically flat
- Net leverage (annualized) reached 2.4x given sequentially higher EBITDA, down from peak 5.9x in 2Q20
    - LTM net leverage improved to 3.2x

Atento (US$ MM)	4Q20	BBG Consensus	+/-	3Q20	4Q19	q/q	y/y
Revenue	397	356	11%	353	417	12%	(5%)
Adjusted EBITDA	54	45	18%	45	63	19%	(15%)
EBITDA Margin	13.5%	12.8%	-	12.7%	15.1%		

Atento (US$ MM)	4Q20	3Q20	4Q19	q/q	y/y
Total Debt	727	711	721	2%	1%
Cash	209	197	125	6%	68%
Net Debt	518	514	596	1%	(13%)
Leverage (Total Debt /LQA EBITDA)	3.4	4.0	2.9		
Net Leverage (Net Debt /LQA EBITDA)	2.4	2.9	2.4		

Atento (US$ MM)	4Q20	3Q20	4Q19	q/q	y/y
Adj. EBITDA	54	45	63	19%	(15%)
- capex	11	9	8	22%	31%
- interest paid	2	20	3	(91%)	(44%)
- taxes paid	4	(0)	2		95%
- other	6	3	-	111%	
FCF before WK	**31**	**13**	**50**	140%	(37%)
WK	12	(21)	9		42%
Lease Expenses	(19)	(12)	(15)	56%	28%
FCF	**25**	**(21)**	**44**		(44%)

MARKET OUTPERFORM (BRAZIL):

ATENTO 8.00% 26s

ANSWERED THE CALL

- Beat ours and market estimate for FY2020
  - 3.2x LTM net leverage vs a 5.5x initially expected
- Company posted a faster than expected recovery from COVID19 while transformational program have impacted results better and faster than we initially thought
  - Preserved cash
  - Top line local CCY growth
  - EBITDA Margin expansion migrating into multisector
- FY2021 guidance points to the gradual improvement of operations indicating a 20% y/y EBITDA expansion
  - ~5% y/y CCY top line growth and 160bps FY margin expansion
  - Net leverage at the 2.5x-3.0x range
  - Capex should also pickup from depressed 2020 levels at ~4.0% of revenue, vs 2.7% for FY2020
- Successfully refinanced its 2022 bond through a tender offer followed by the issuance of a new US$500mm 2026 note at 8.00% coupon
  - Important step, extending debt maturity and creating adequate runaway for business recovery and transformation
  - New notes have all coupon payments hedged, and principal for the next three years (differently from 22s)

MARKET OUTPERFORM (BRAZIL):

BANBRA 6.25% PERP

Banco do Brasil is a commercial bank, controlled by the federal union (50.4% interest). Focused mainly on agribusiness, with a 54% market share of the national rural financing portfolio, which represents 27% of its own portfolio.

We have seen continued improvements in results through recent corporate reorganization suffering only a mild deceleration amid COVID19. Management focus has mainly been in right-sizing operations and strengthening capital structure (capital ratio at recent highs). Actions included non-core assets disinvestments and focus on SMEs and individual lending rather than large corporates. We think Banbra AT1s instruments currently compares favorably to other national private sector peers and quasi-sovereign global comps, with CET 1 at recent 750bps peak premium to trigger ratio. Differently from Banbra subs, HY corps in Brazil remained flat under recent spike in CDS as we seen in Banbra a way to play mid-term recovery of recent political noise and new COVID19 "wave" seen in Brazil.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
BANBRA	6.25%	PERP	1,950	- / CCC+ / -	98.00	6.99%

Pros

- Brazil's second largest bank in terms of assets and deposits with strong domestic franchise. Market share: 18% loan portfolio, 20% deposits, 23% asset management, 16% life insurance, 41% social security (last two through its subsidiary BB Security).
- Low funding cost with 66% funding from deposits.
- Diversified portfolio, with different businesses and strategic partners: credit cards (Bradesco), insurance (Mapfre) and social security (Principal Fin group).
- Historical downward trend in efficiency ratio highlights multi-year cost discipline
- Reinforced objective to maintain CET 1 ratio above 11.0% for January 2022 (currently already above 11.00% level)
- Prioritizing individual and SMEs lending over big corporate loans under business reorganization
- Divestments from non-core assets (mainly IRB Brasil) helped strengthen cash position and capitalization last couple of years

Cons

- Generally, declining profitability ratios since 2011, though shown recent improvement
- Federal Audit Court (TCU) wants BB to pay back the amount received in hybrid debt instruments from previous government (R$8.1bn).
    - Core capital would amount to 12.6%, still above minimum set by Central Bank at 8.0% and AT1 Trigger at 6.125%
- Amid COVID19 crisis provisioning expenses increased and delinquency is expected to peak at 1Q21
    - Although we note bank is adequately capitalized to face potential transitory uptick in delinquency
- Recent top management turnover on concerns of increased federal government interference

MARKET OUTPERFORM (BRAZIL):

BANBRA 6.25% PERP

4Q20 Results:

- Gross loans reached R$681.8bn up 2% q/q and up 10% y/y driven by higher sequential corporate loans
  - 4Q20 portfolio: 36% Corporate, 31% Individuals and 27% Agribusiness
- We note currently R$130.1bn (19% of total loans) are currently under COVID19 forbearance (R$56bn associated to individuals and R$45bn to companies)
  - 95% of those has a rating between AA-C and 98% has no history of overdue amounts in LTM
  - Exit of grace period begins in 1Q21 (R$41bn) where we should see an uptick in delinquency rate, though manageable
- Asset quality improved sequentially to 1.90% from 2.43%
  - Management mentioned COVID19 impact in NPLs has not yet been fully seen given loan installments extension granted to customers during crisis
  - Company expects NPLs to peak in 1Q21, maybe reaching 7.00%
- Net Interest Income before provisions decreased 1% y/y to R$14.2bn as financial income decrease of 10% y/y was offset by financial expense decrease of 27% y/y
- Average reference rate SELIC at lower levels drove lower financial income and expenses in the period
- Efficiency ratio remains sound at 36.60%
- Core capital ratio (CET I) increased q/q to 13.62% from 13.11% in 3Q20 and 10.02% in 4Q19
- Tier I ratio improved to 17.26% y/y
- Banco do Brasil reiterated its goal to maintain CET 1 ratio above 11.0% by January 2022
  - We estimate that excluding (R$8.1bn) of the hybrid instruments which the federal government is requesting to be repaid, CET 1 would amount to 12.56%

Banco do Brasil (R$MM)	4Q20	3Q20	4Q19	q/q	y/y
Financial Income	19,847	19,675	21,999	1%	(10%)
Financial Expenses	(5,684)	(5,658)	(7,737)	0%	(27%)
Net Interest Income before provisions	14,163	14,017	14,262	1%	(1%)
Provisions	(5,157)	(6,716)	(7,780)	(23%)	(34%)
Income from services,net	7,389	7,281	7,508	1%	(2%)
Operating Expenses	(9,597)	(9,710)	(11,145)	(1%)	(14%)
NIM	3.70%	3.70%	4.30%		
Efficiency Ratio	36.60%	37.00%	36.10%		
ROAA	0.74%	0.70%	1.55%		
ROAE	12.10%	12.00%	17.70%		

Banco do Brasil (R$MM)		3Q20	4Q19	q/q	y/y
Gross Loans	681,776	668,036	621,345	2%	10%
Total Deposits	601,984	598,152	514,131	1%	17%
Total Capital	161,924	163,255	132,150	(1%)	23%
NPL/gross loans	1.90%	2.43%	3.27%		
Loans to Deposits	113.25%	111.68%	120.85%		
Cash and equivalents to Deposits	29.27%	13.02%	13.99%		
CET 1	13.62%	13.11%	10.02%		
Tier 1 Ratio	17.26%	17.34%	13.50%		
Total Capital Ratio	21.14%	21.21%			

Banco do Brasil	2016	2017	2018	2019	2020
Tier 1	12.80%	13.80%	13.40%	13.50%	17.26%
CET 1	9.60%	10.50%	10.00%	10.02%	13.62%
Minimum CET 1 (Central Bank rules)	4.50%	4.50%	4.50%	4.50%	4.50%
Trigger level for perp write down	6.125%	6.125%	6.125%	6.125%	6.125%
Above trigger (bps)	348	438	388	390	750

MARKET OUTPERFORM (BRAZIL):

BANBRA 6.25% PERP

BANBRA PERP: VALUE vs PRIVATE SECTOR

Banco do Brasil 4Q20 (R$MM)	
Balance Sheet	
Gross Loans	681,776
Total Deposits	601,984
NPL/gross loans	1.90%
Profitability	
NIM	3.70%
Efficiency Ratio	36.60%
ROAA	0.74%
ROAE	12.10%
Capitalization	
CET 1	13.62%
Tier 1 Ratio	17.26%
Total Capital Ratio	21.14%
AT1s Write Down Trigger	5.13%
Above Trigger (Bps)	850

BANBRA vs BZ PERPS		
Security	Mid YTW	Spread to Sov (*)
BANBRA 6 1/4 PERP	6.71%	566
BANBRA 9 PERP	6.24%	519
BANBRA 9 1/4 PERP	4.86%	414
BANVOR 8 1/4 PERP	6.20%	548
ITAU 6 1/2 PERP	6.01%	62
ITAU 4 5/8 PERP	5.80%	41
ITAU 6 1/8 PERP	6.01%	62
SANBBZ 7 1/4 PERP	7.75%	236
BTGPBZ 7 3/4 02/15/29	5.11%	406

(*) vs respective sovereign duration according to YTW

MARKET OUTPERFORM (BRAZIL):

BANBRA 6.25% PERP

BANBRA PERP: VALUE vs QS COMPS

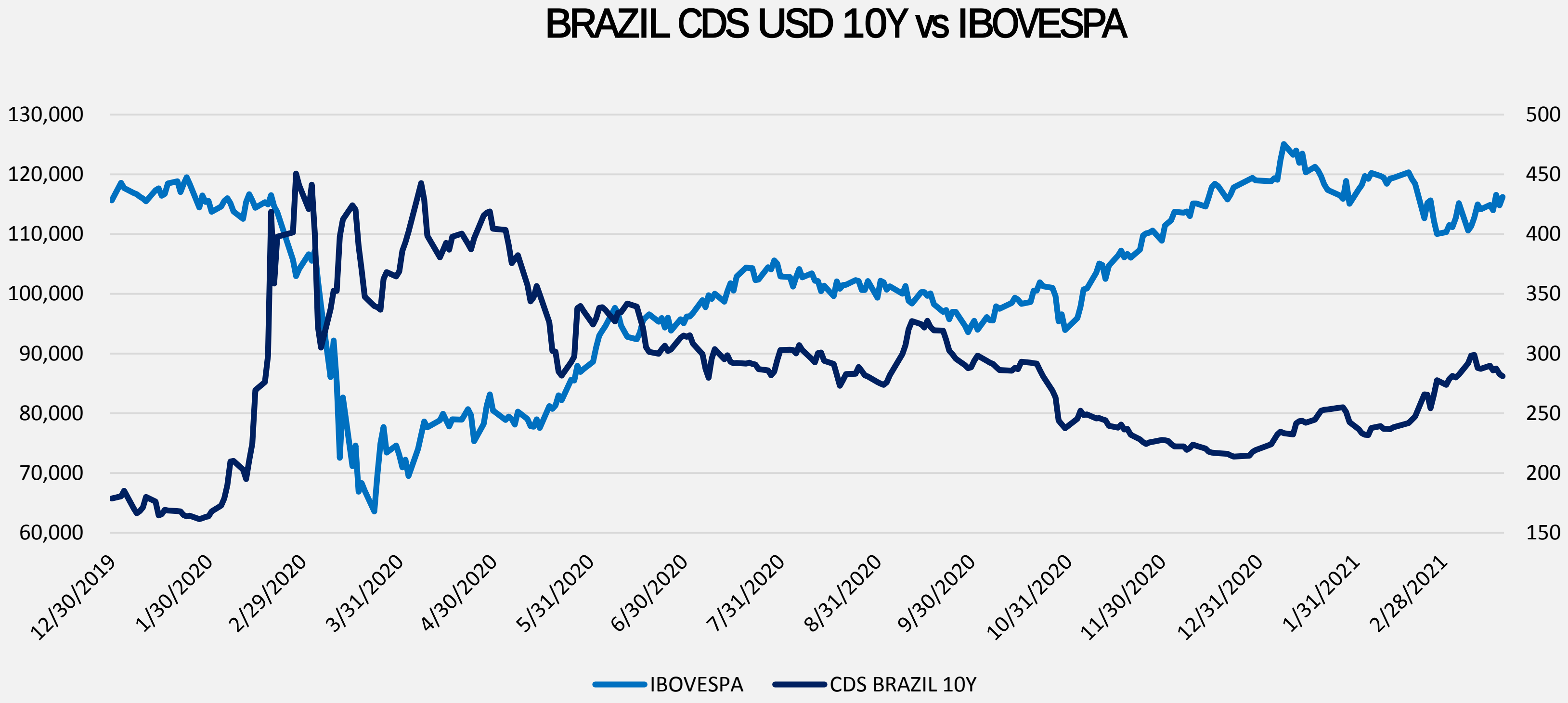
	Banco do Brasil	Ukreximbank	Vakif Bank	VTB	Sberbank	Avg. Universe
Rating	-/CCC+/-	B3/-/B	Ca/B-/B+	n/a	-/-/BBB-	
Country	Brazil	Ukraine	Turkey	Russia	Russia	
Type	Tier 1 Sub	Tier 2 Sub	Tier 2 Sub	Tier 2 Sub	Tier 2 Sub	
Bond	PERP	2029	2027	PERP	2023	
Mid YTW	6.71%	8.99%	5.64%	4.70%	2.10%	
Spread to sovereign (bps) (*)	**566**	**397**	**220**	**372**	**120**	
Sovereign ownership	51%	100%	75%	61%	51%	-
3Q20 US$mm	**4Q20**					
Net interest income	2.627	9	747	1,745	5,296	1,070
NIM	3.70%	0.80%	4.20%	3.8%	2.8%	3.68%
Efficiency Ratio	36.60%	96.10%	34.40%	37.6%	31.4%	60.16%
ROAA	0.74%	(0.80%)	0.70%	0.4%	3.2%	0.55%
ROAE	12.10%	(11.80%)	10.00%	4.0%	22.4%	3.64%
Gross Loans	131,363	3,424	53,296	166,591	301,489	60,902
Total Deposits	115,989	3,469	51,091	159,277	323,886	57,684
NPL/gross loans	1.90%	46.90%(**)	3.70%	5.7%	4.7%	3.87% (*)
Total Capital ratio	21.14%	25.20%	14.20%	11.6%	14.2%	16.71%

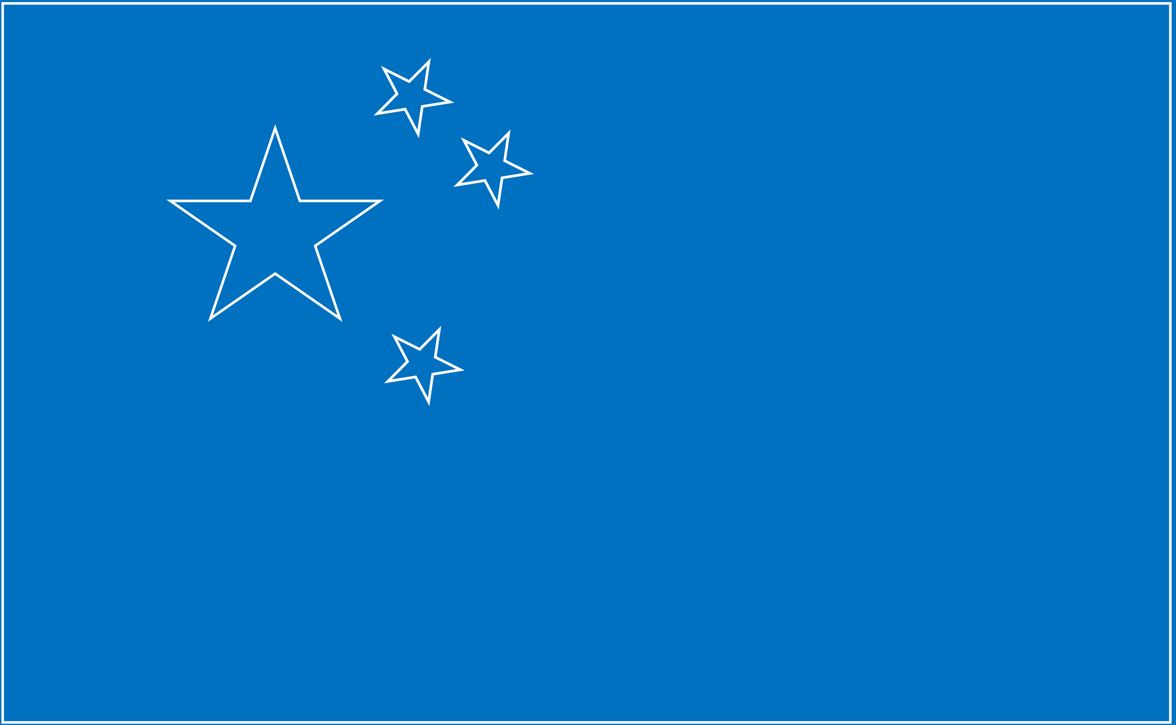
(**) LLP/Gross Loans and avg universe ex-LLP/Gross Loans

MARKET OUTPERFORM (BRAZIL):

BANBRA 6.25% PERP

BANBRA: PLAY THE RECOVERY





CHINA

MARKET OUTPERFORM (CHINA):

ANTOIL 7.5% 22s

Anton Oilfield Services Group (3337 HK) is a Chinese oilfield service provider primarily operating in Iraq and western China. Luo Lin founded Antoil in the 1990s after leaving PetroChina in Tarim Basin. The company adopted "asset light" business model in 2018 & 2019 and reduced capex by leasing equipment. FCF improved in 2H and remained positive in 2020. More onshore E&P provides opportunities to achieve revenue growth despite Brent volatilities. Orders backlog in 4Q20 was equal to two years' revenue. Based on high orders backlog and sustainably positive FCF, we upgrade ANTOIL 22s to Market Outperform.

Description	Ranking	Amt (US$mm)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
ANTOIL 7.5% 12/02/2022	Sr Unsecured	300	B1/-/-	94.45	11.26%

Pros

- Two years contract backlog.
- Positive FCF after the pandemic.
- Reduced capex requirement under "light asset" business model.
- Chinese central government's plan to increase onshore E&P and reduce oil imports. Local service providers preferred by SOEs.
- Sinopec and CNOOC will increase capex in 2021 by ~20%.
- Antoil has introduced Chinese banks to oil producers and secure orders overseas.
- Iraq contract insured by Sinosure, a Chinese SOE insurance company.

Cons

- PetroChina will cut capex in 2021, while Antoil traditionally relied on its service contracts, as several Antoil's senior management including the founder worked in PetroChina in 1990s.
- Increased focused on domestic markets may reduce dollar revenue.

MARKET OUTPERFORM (CHINA):

ANTOIL 7.5% 22s

2H20 Financials

- Revenue increased 22% h/h to US$225mm.
    - Revenue from China as % of total revenue increased to 66% which was the highest level in last four years.
- Reported EBITDA increased 15% h/h to US$83mm but still below pre-pandemic level. EBITDA in all three service segments (drilling, well completion and oil production) improved h/h.
- Reported FCF turned positive US$77mm. Net OCF increased 7x h/h to US$105mm while capex remained low at US$7mm.
- Gross debt decreased 25% h/h to US$448mm.
- Total cash decreased 21% h/h to US$204mm.
- Net debt decreased 27% h/h to US$244mm.
- LHA gross and net leverage decreased significantly h/h to 1.4x and 0.8x, respectively – both lower than pre-pandemic levels.
- For 2021, capex of Sinopec and CNOOC will increase by double digits but PetroChina's will decrease by 3%.

Income Statement (US$ mm)	2H20	1H20	2H19	y/y	h/h
Revenue from goods & services	225	185	252	(11%)	22%
- drilling technology	92	63	102	(10%)	46%
- well completion	59	46	66	(11%)	26%
- oil production	74	75	85	(12%)	(2%)
EBITDA reported	83	72	118	(30%)	15%
- drilling technology	31	29	55	(44%)	6%
- well completion	23	17	28	(16%)	38%
- oil production	29	26	36	(20%)	11%
EBITDA margin	37%	39%	47%	(1,003 bps)	(199 bps)
Gross margin	24%	29%	37%	(1,321 bps)	(470 bps)

FCF (US$ mm)	2H20	1H20	2H19	y/y	h/h
Reported FCF	77	(30)	25	207%	(358%)
- Net operating cash flow	105	14	49	116%	675%
- Cash interest payments	(21)	(26)	(19)	13%	(18%)
- Capex	(7)	(17)	(7)	(5%)	(60%)

Debt (US$ mm)	2H20	1H20	2H19	y/y	h/h
Gross debt	448	594	709	(37%)	(25%)
- ST	144	295	389	(63%)	(51%)
- LT	304	300	320	(5%)	1%
Total cash	204	259	401	(49%)	(21%)
- unrestricted cash	135	200	348	(61%)	(33%)
- restricted cash	70	60	53	31%	17%
Net debt	244	335	308	(21%)	(27%)
LHA gross leverage	1.4x	4.1x	3.0x	(1.6x)	(2.7x)
LHA net leverage	0.8x	2.3x	1.3x	(0.5x)	(1.6x)

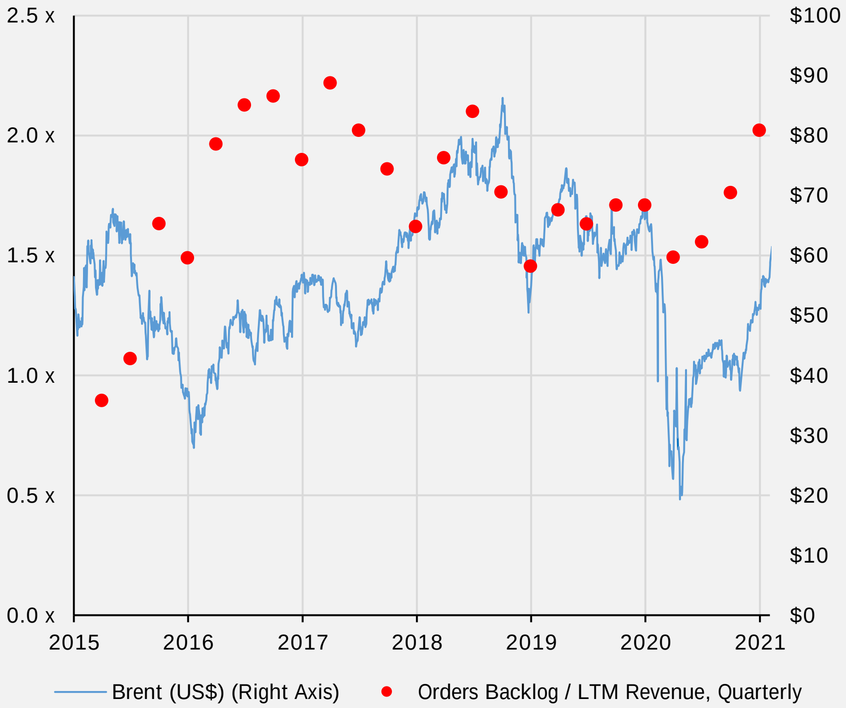
Capex (CNY bn)	Petro China	y/y	Sinopec	y/y	CNOOC	y/y
1H19	84	12%	43	81%	34	60%
2H19	213	17%	104	10%	45	53%
FY19	297	16%	147	25%	79	56%
1H20	75	(11%)	45	5%	36	6%
2H20	172	(19%)	90	(14%)	44	(2%)
FY20	246	(17%)	135	(8%)	80	1%
FY21	239	(3%)	167	24%	90-100	19%

MARKET OUTPERFORM (CHINA):

ANTOIL 7.5% 22s

4Q20 Operations

- On Jan 27, Anton Oil management held a conference call on 4Q20 operations.
- In 4Q20, new orders increased 16% q/q to US$181mm. Orders backlog increased 11% q/q to US$829mm, or 2 years revenue.
  - Out of US$181mm new orders, 56% came from China especially Tarim Basin, only 6% came from Iraq due to persisting pandemic, and 38% came from other overseas markets.
  - Out of US$829mm orders backlog, Chinese orders backlog now accounted for 49% of the total, exceeding Iraq's for the first time.
- Also in 4Q, Anton Oil started a new business model overseas, where it introduces Chinese policy banks to its clients, so that it will be hired as general contractor. New orders from other overseas markets increased 580% q/q.
- On the other hand, Anton Oil will promote its financial leasing business in coming quarters through a JV with a local Chinese SOE.
- For 2021, Anton Oil's management will focus more on securing onshore orders, especially in the natural gas sector.



MARKET OUTPERFORM (CHINA):

CHIGRA 8.625% 22s

Grand Auto (699 HK) is the largest car retailer in China with 14% market share. It was founded by Sun Guangxin in 2006 in Xinjiang as a subsidiary of his Guanghui Industry. Car sales in China suffered during the pandemic due to COVID-19 lockdowns and economic recession, but the industry has resumed growth since May 2020 when health authorities gradually eased restrictions. Grand Auto's LTM FCF has been consistently positive. LTM net leverage would be 2.7x if factoring in US$3bn car inventory. In 2019, dollar bonds were issued by an onshore entity under a new ticker "CHIGRA" – a rare structure among Chinese industrials. With industry recovery underway and the company's healthy cash flow, we upgrade CHIGRA 22s to Market Outperform.

Description	Ranking	Amt Out (US$mm)	Ratings(M/SP/F)	Mid Price	Mid YTCnv
CHGRAU 9.109% Perp	Company Guarnt	400	-/-/B	76.00	13.82%
CHIGRA 8.885% 25/07/2021	Company Guarnt	83	B1/-/B+	97.63	17.45%
CHIGRA 8.625% 08/04/2022	Company Guarnt	253	-/-/B+	89.67	20.54%

Pros

- By far the largest car retailer in China with 14% market share.
- Less restriction for buyers to visit a car retailer and recovery of car sales in China.
- Issuer resides onshore – a rare structure among Chinese industrials.
- Positive LTM FCF.
- Lower leverage if factoring in US$3bn car inventory.

Cons

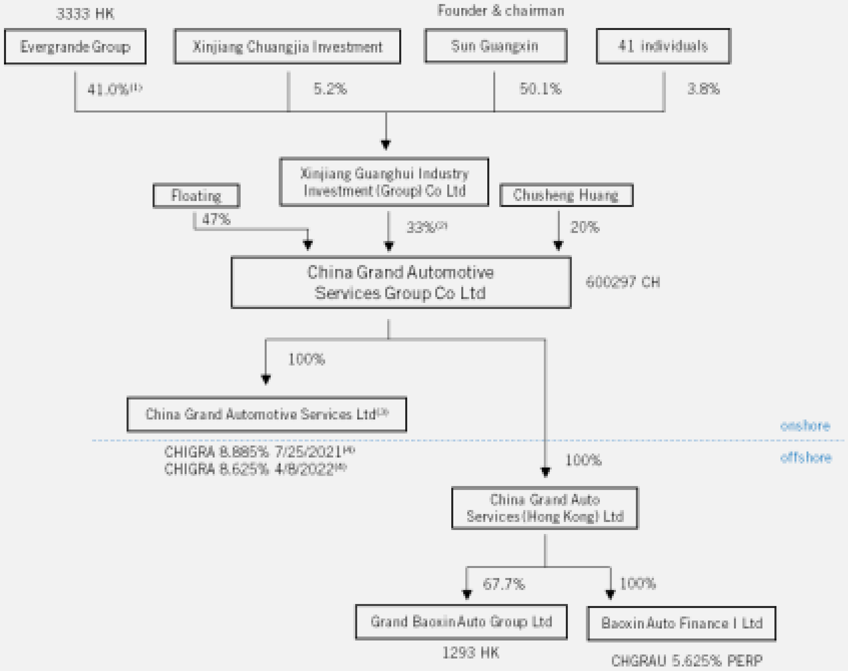
- Headquartered in Xinjiang.
- Diversified business of the parent company may dilute resources available to Grand Auto.
- Lack of information about a substantial shareholder Chusheng Huang.
- Low STD coverage.
- Margins declined in recent periods.

MARKET OUTPERFORM (CHINA):

CHIGRA 8.625% 22s

Shareholder Profile:

- China Grand Automotive Services Group (Grand Auto) founded by Sun Guangxin in 2006 and was listed in Shanghai in 2015.
- Grand Auto was a non-controlling (33%) subsidiary of Guanghui Group, which was also founded by Sun Guangxin. Another major shareholder (20%) is China Grand Automotive (Mauritius), which is wholly owned by an entrepreneur Huang Chusheng.
    - Sun Guangxin was born in Xinjiang and joined PLA in 1980s. He left the army as a Vietnam veteran and founded Guanghui Group in Xinjiang in 1989. Sun is now the wealthiest person in Xinjiang.
    - Other four business sectors of Guanghui Group are: energy (600256 CH), logistics (600603 CH), property development, heavy machinery.
    - In 1H20, 77% of Guanghui Group revenue came from car sales & services.
- In 2019, Grand Auto started to use an onshore entity to issue USD bonds under a new ticker "CHIGRA".



(1) *To be sold to Shenergy Group pending Shanghai SASAC's approval*
(2) *69% of the 33% equity interest is pledged as of 2Q20.*
(3) *China Grand Automotive Services Ltd is an onshore entity.*
(4) *CHIGRA 2021 and CHIGRA 2022 are guaranteed by China Grand Automotive Services Group Co Ltd (600297 CH).*

MARKET OUTPERFORM (CHINA):

CHIGRA 8.625% 22s

3Q20 Financials:

- Number of passenger cars sold in China increased 8% y/y to 5.5 million.
- Revenue increased 7% y/y to US$6,206mm.
- Calculated EBITDA decreased 8% y/y to US$303mm.
- Gross and LTM EBITDA margin both decreased y/y to 5% and 8%.
- FCF turned negative US$307mm, on more WK investment.
    - Balance of prepayment and inventories together increased US$550mm q/q.
    - LTM FCF remained positive US$337mm.
- The company issued US$487mm convertible bond in CNY. The CB (CHGRAU 0.2% 2026) together with US$400mm Perp are recognized as "other equity instrument".
    - Total issuance of the CB was US$487mm, but only US$122mm was recognized on balance sheet. We use US$487mm in our gross debt calculation.
- Gross debt increased 9% q/q to US$9,453mm, including:
    - US$5,852mm STD.
    - US$2,715mm LTD.
    - US$400mm Perp.
    - US$487mm convertible bond issued in Aug.
- Total cash decreased 11% q/q to US$2,854mm.
- Net debt increased 21% q/q to US$6,600mm.
- LTM gross and net leverage both increased q/q to 8.2x and 5.7x, respectively.
- Total cash / STD slightly decreased q/q to 0.5x.

Income Statement (US$ mm)	3Q20	2Q20	3Q19	y/y	q/q
Revenue	6,206	5,724	5,801	7%	8%
Calculated EBITDA	303	353	331	(8%)	(14%)
LTM EBITDA margin	5%	5%	6%	(68 bps)	(22 bps)
Gross margin	8%	10%	10%	(125 bps)	(133 bps)

FCF (US$ mm)	3Q20	2Q20	3Q19	y/y	q/q
Estimated EBITDA	303	353	331	(8%)	(14%)
WK investment	(322)	831	489	-	-
Interest paid	(102)	(102)	(129)	(21%)	(0%)
Investment return	5	12	-	-	(62%)
Dividend paid	(2)	(11)	(6)	(74%)	(86%)
Net tax paid	(99)	(120)	(119)	(17%)	(17%)
Capex	(114)	(89)	(70)	62%	28%
Asset disposal	29	51	49	(41%)	(44%)
Acquisition of subs	(5)	(3)	(11)	(52%)	68%
FCF	(307)	922	533	-	-
LTM FCF	337	1,157	424	(21%)	(71%)

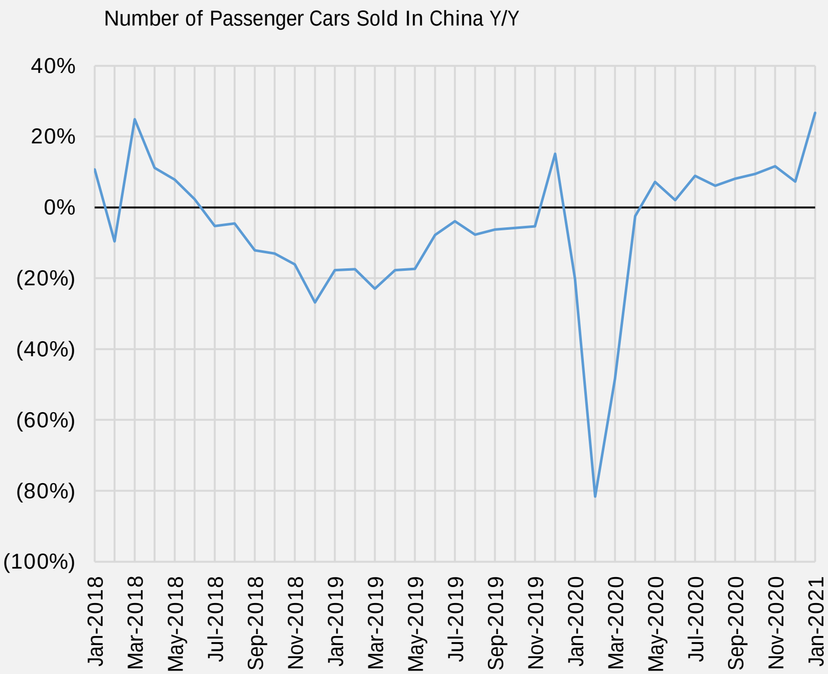
Debt (US$ mm)	3Q20	2Q20	3Q19	y/y	q/q
Gross debt	9,453	8,665	8,564	10%	9%
- STD	5,852	6,546	5,307	10%	(11%)
- LTD	2,715	1,720	2,457	10%	58%
- Perp	400	400	800	(50%)	0%
- Convertible bond	487	0	0	-	-
Total cash	2,854	3,199	2,364	21%	(11%)
- cash	2,843	3,191	2,346	21%	(11%)
- financial assets	11	8	17	(39%)	28%
Net debt	6,600	5,466	6,200	6%	21%
LTM gross leverage	8.2x	7.4x	6.2x	2.1x	0.9x
LTM net leverage	5.7x	4.6x	4.5x	1.3x	1.1x
Total cash/STD	0.5x	0.5x	0.4x	0.0x	(0.0x)

MARKET OUTPERFORM (CHINA):

CHIGRA 8.625% 22s

Industry Performance:

- Number of passenger cars sold in China decreased 6% in 2020 but was back to positive territory since May 2020. In Dec 2020, passenger cars sold increased 7% y/y.
- In December 2020, EVs sold, although only accounted for 9% of the total passenger cars sold, contributed 30% of y/y growth for the car industry.
    - High growth of EV sales is boosted by less restriction on EV license and traffic in urban areas, cash subsidies from governments etc.
- In 2009 and 2010, the Chinese central government offered cash subsidy to promote car sales in rural areas. Passenger cars sold increased 53% and 35%. In Nov 2020, the central government again started to offer such subsidies.



MARKET OUTPERFORM (CHINA):

YUZHOU 8.5% 23s

Yuzhou Group (1628 HK) is Chinese residential property developer focusing on Tier 1&2 cities in Yangtze River Delta and Fujian Province. In 2H20, the auditor revised scope of consolidation and delayed recognition of revenue from certain JVs, resulting in ~50% decline in annual EBITDA. But Yuzhou's balance sheet leverage, calculated by Funded Liabilities / Land Bank, remained low at 67%. WK liabilities only equal to 33% of net debt or 30% of total cash, and Total Cash / STD was high at 1.8x. The change in accounting treatment had minimal impact on Yuzhou's cash flow and its capital structure. A restatement of past financials will likely improve its y/y performance. Given Yuzhou's favorable land bank exposure and sound liquidity profile, we upgrade YUZHOU 8.5% 23s to Market Outperform.

Description	Ranking	Amt Out (US$mm)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
YUZHOU 8.5% 02/04/2023	Sr Unsecured	500	B2/-/BB-	97.53	10.00%

Pros

- Most reported land acquired in 2018 were not materially affected by price caps, which was close to ASP of new homes in other nearby projects.
- Delayed revenue recognition did not affect cash flow.
- Low balance sheet leverage.
- High exposure to Tier 1&2 cities (85%).
- High EBITDA margin.
- Small WK liabilities relative to net debt and total cash.

Cons

- Aggressive land acquisition relative to cash collection from contracted sales in last few periods.
- Risk of unconsolidated debt.

MARKET OUTPERFORM (CHINA):

YUZHOU 8.5% 23s

2020 Income Statement:

- In 2H20:
  - Gross contracted sales increased 38% y/y to US$9bn.
  - ASP increased 18% y/y to US$2,513 per sqm.
- Per our understanding, Yuzhou's auditor, E&Y Hong Kong, revised scope of consolidation in 2H20, and derecognized revenue from certain JVs for the period, resulting in negative income for 2H20. The change in accounting treatment, which is delayed revenue recognition, mostly affects income statement rather than cash flows.
- In this case, we compare 2020 income statement with 2019 which was not restated.
- Annual revenue decreased 55% to US$15bn.
- Calculated EBITDA decreased 49% to US$633mm.
- Gross margin decreased to only 5% due to the derecognition.
- LTM EBITDA was flat at 38%, which was high among peers.

Contracted Sales (US$ mm)	2020	2019	2018	y/y
Gross contracted sales	15,213	10,877	8,464	40%
y/y	40%	34%	39%	561 bps
GFA (million sqm)	6	5	4	26%
ASP (US$ per sqm)	2,428	2,188	2,396	11%

Income Statement (US$ mm)	2020	2019	2018	y/y
Revenue	1,509	3,365	3,673	(55%)
Caluclated EBITDA	633	1,243	1,406	(49%)
Gross margin	5%	26%	31%	(2,160 bps)
LTM EBITDA margin	38%	38%	-	85 bps
Income from affiliates	33	24	(8)	39%
Net income	33	574	563	(94%)
Net income margin	2%	17%	15%	(1,488 bps)

MARKET OUTPERFORM (CHINA):

YUZHOU 8.5% 23s

2H20 Land Bank

- Land bank increased 41% h/h to US$11bn despite the derecognition.
- Net WK balance doubled h/h to net US$1.5bn liability, driven by a surge in contract liabilities.
    - Yuzhou had US$5.6bn other A/R, most of which was receivables from JVs & associates.
- Total funded liabilities, including non-controlling interest, net WK balance and net debt, increased 50% h/h to US$8bn.
    - Net WK / Total Cash and Net WK / Net Debt both increased h/h to 30% and 33%, respectively.
    - Both figures were very low among peers. Yuzhou's WK liability, which we consider as priority debt, was relatively small in its capital structure.
- Funded Liabilities / Land Bank increased 67% h/h to 67%. Balance sheet was low among peers.

2H20 Land Bank Exposure

- The company reported 22 million sqm salable GFA in 2H20, which was equal to 3.5 years of gross contracted sales.
- Per our calculation, 85% of the land bank locate in Tier 1&2 cites, especially Yangtze River Delta, and the remaining 15% locate in Tier 3 cities. High exposure to Tier 1&2 is favorable.

		Not Restated	Not Restated		
Land Bank Financing (US$ mm)	2H20	1H20	2H19	y/y	h/h
Land	923	362	227	307%	155%
Projects	8,959	6,923	5,796	55%	29%
Equity investment	1,499	811	822	82%	85%
Land bank	11,381	8,096	6,845	66%	41%
				-	-
Property held for sale	3,511	3,563	3,020	16%	(1%)
Other A/R	5,623	5,065	4,803	17%	11%
Contract liabilities	(3,376)	(1,993)	(1,232)	174%	69%
A/P	(1,309)	(1,422)	(1,392)	(6%)	(8%)
Other payables and accruals	(5,977)	(5,881)	(5,137)	16%	2%
Net WK (liabilities)/assets	(1,528)	(668)	62	(2577%)	129%
				-	-
NCI	(1,431)	(1,142)	(829)	73%	25%
Net WK (liabilities)/assets	(1,528)	(668)	62	(2577%)	129%
Net debt	(4,635)	(3,264)	(3,141)	48%	42%
Funded liabilities	(7,594)	(5,073)	(3,908)	94%	50%
Net WK / Total cash	30%	11%	(1%)	3,119 bps	1,903 bps
Net WK / Net debt	33%	20%	(2%)	3,492 bps	1,250 bps
Funded Liabilities/Land bank	**67%**	**63%**	**57%**	962 bps	406 bps

MARKET OUTPERFORM (CHINA):

YUZHOU 8.5% 23s

2H20 Financials

- Gross debt increased 4% h/h to US$10bn, including US$3bn STD, US$7bn LTD and US$283mm Perps.
    - The company had US$300mm unused NDRC quota as of March.
- Total cash decreased 17% h/h to US$5bn.
- Net debt increased 42% h/h to US$5bn.
- LTM gross and net leverage both increased significantly due to the derecognition.
- Cash / STD slightly decreased h/h to 1.8x.
- The company only breached one out of three “Red Lines”. Accordingly, gross debt growth would be capped below 10% when the mechanism officially applies to Yuzhou.
    - The only “Red Line” breached was “Adj. Liabilities / Adj.Assets>70%”. Yuzhou’s result was 78%.

		Not Restated	Not Restated		
Debt (US$ mm)	2H20	1H20	2H19	y/y	h/h
Gross debt	9,733	9,369	8,195	19%	4%
- STD	2,793	3,161	2,174	28%	(12%)
- LTD	6,657	5,936	5,750	16%	12%
- Perp	283	272	272	4%	4%
Total cash	5,098	6,105	5,054	1%	(17%)
- Cash	3,488	4,965	4,050	(14%)	(30%)
- ST investments	1,204	812	739	63%	48%
- Restricted cash	406	328	266	53%	24%
Net debt	4,635	3,264	3,141	48%	42%
				-	-
LTM gross leverage	15.7x	7.4x	6.6x	9.1x	8.3x
LTM net leverage	7.5x	2.6x	2.5x	5.0x	4.9x
Gross debt / Total equity	1.9x	2.1x	2.0x	(0.1x)	(0.2x)
Net debt / Total equity	0.9x	0.7x	0.8x	0.1x	0.2x
Cash / STD	1.8x	1.9x	2.3x	(0.5x)	(0.1x)

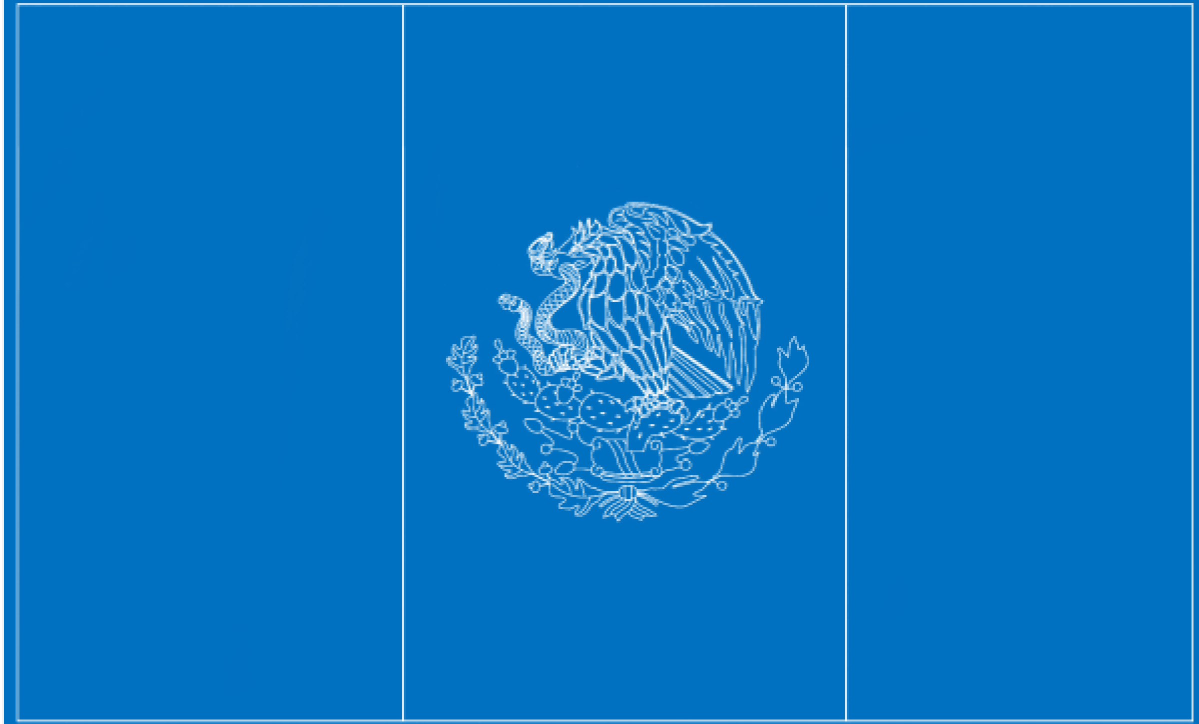
MARKET OUTPERFORM (CHINA):

YUZHOU 8.5% 23s

Peer-To-Peer Comparison

US$ mm	YUZHOU	AGILE	CENCHI	COGARD	CIFIHG	EVERRE	FTHDGR	KAISAG	KWGPRO	SHIMAO	SUNAC	THHTGP	VNKRLE
Country of Risk	China	China	China	China	China	China	China	China	China	China	China	China	China
Period	2H20	2H20	2H20	2H20	2H20	2H20	2H20	2H20	2H20	2H20	2H20	3Q20	4Q20
Ratings (M/SP/F)	B2/-/BB-	Ba3/BB/-	B1/-/BB	-/-/BBB-	-/BB-/BB	B2/B/-	B3/B/-	B2/-/-	-/-/BB-	-/-/BBB-	B1/B+/BB	Cau/-/C	Baa2/BBB/BBB+
Bond	8.5% 2/4/2023	5.125% 14/08/2022	7.25% 24/04/2023	6.5% 08/04/2024	6.55% 28/03/2024	10.5% 11/04/2024	7.95% 05/07/2022	9.375% 30/06/2024	7.4% 3/5/2024	6.125% 21/02/2024	7.95% 11/10/2023	8.125% 1/17/2023	4.2% 6/7/2024
Mid YTM	10.02%	3.80%	8.95%	3.96%	4.16%	14.82%	10.21%	10.71%	5.04%	4.17%	5.44%	-	1.64%
Contracted Sales	9,187	12,288	8,828	44,917	22,223	55,372	4,688	10,480	9,886	28,074	85,075	55	32,000
Contracted Sales y/y	38%	44%	1%	17%	34%	20%	43%	38%	34%	23%	75%	(97%)	44%
ASP (US$ per sqm)	2,513	1,982	1,012	1,266	2,119	1,311	2,353	2,591	2,857	2,427	2,074	-	1,014
Land Bank Cost (US$ per sqm)	739	563	179	426	759	315	-	1,278	434	742	631	-	-
Revenue	(532)	6,909	4,479	41,099	7,214	35,585	1,851	4,950	2,405	10,471	34,102	50	26,888
Calculated EBITDA	(26)	1,535	898	9,569	1,402	11,766	326	1,331	882	2,260	7,239	(14)	5,248
Gross Margin	-	22%	18%	20%	20%	23%	18%	25%	30%	28%	21%	2%	28%
LTM EBITDA Margin	-	26%	17%	22%	23%	28%	26%	36%	40%	25%	21%	(52%)	21%
Gross Debt	9,733	17,075	4,796	50,019	16,585	109,776	7,234	18,610	11,929	23,024	46,488	13,966	38,409
Total Cash	5,098	7,984	4,493	28,132	7,894	27,691	4,301	7,852	6,830	10,489	20,322	536	26,262
Net Debt	4,635	9,091	303	21,887	8,690	82,085	2,933	10,758	5,099	12,535	26,166	13,430	12,147
Net WK Liability/(Assets)	1,528	6,499	15,670	137,177	13,738	111,034	807	4,758	8,672	25,927	58,259	5,925	113,534
Minority Interest (NCI)	1,431	1,918	491	12,548	(6,749)	31,182	1,501	7,107	1,591	(9,093)	7,998	2,001	16,845
Land Bank	11,381	26,570	17,914	191,761	35,524	270,224	7,860	28,701	24,142	64,181	113,158	26,853	202,769
LTM Gross Leverage	15.7x	5.6x	3.3x	3.3x	6.9x	5.3x	8.6x	6.4x	7.0x	4.7x	4.7x	-	5.1x
LTM Net Leverage	7.5x	3.0x	0.2x	1.5x	3.6x	3.9x	3.5x	3.7x	3.0x	2.5x	2.6x	-	1.6x
Gross Debt/Equity	1.9x	1.8x	2.1x	1.3x	1.6x	2.0x	1.9x	1.5x	1.4x	1.0x	1.7x	3.0x	0.8x
Net Debt/Equity	0.9x	0.9x	0.1x	0.6x	0.8x	1.5x	0.8x	0.9x	0.6x	0.5x	1.0x	2.9x	0.3x
Financial Guarantees / Gross Debt	-	59%	181%	137%	34%	-	27%	22%	-	-	-	-	-
Net WK / Total Cash	30%	81%	349%	488%	174%	401%	19%	61%	127%	247%	287%	1105%	432%
Net WK / Net Debt	33%	71%	5174%	627%	158%	135%	28%	44%	170%	207%	223%	45%	935%
Funded Liabilities / Land Bank	**67%**	**66%**	**92%**	**89%**	**82%**	**83%**	**67%**	**79%**	**64%**	**74%**	**82%**	**79%**	**70%**

*Funded liabilities=WK balance + net debt + minority shareholders' equity in company



MEXICO

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

Mexarrend is one of Mexico's largest independent leasing companies with a core focus on SMEs. Similar to Unifin, Mexarrend is well positioned to take advantage of the large underserved SME market. Despite the economic slowdown in Mexico pre-covid, Mexarrend had managed to increase its portfolio through stable cash deployment after the 2024 bond issuance. Management halted origination in 2Q20 to preserve liquidity – a welcome development, yet the headline number was 45% of the portfolio under forbearance as the issuer offered it to all customers. However, management´s conservative approach to origination and focus on collections resulted in only 1% of the portfolio requesting additional relief, as well as 3Q and 4Q collections being above originations. We continue to see sound fundamentals, with net debt to net loans at 85% (incl. hedges), fully hedged USD debt, low secured debt and current cash position healthy vs short-term debt. Additionally, the unsecured bonds are most of gross debt. Per our estimates, we saw a US$45 mm financing gap through 2021 under normalized origination, which is effectively fully covered by US$205 mm in liquidity raised through the DFC loan, equity injection and the latest warehousing facility in 1Q21. We continue to find the 24s attractive at 10% mid-ytm. As a result, we **reaffirm DOCUFO 24s as "Market Outperform" in our BCP Top Picks.**

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
DOCUFO	9.25%	10/11/2022	31	-/B/B+	95.00	13.00%
DOCUFO	10.25%	7/24/2024	300	-/B/B+	99.50	10.42%

Pros

- One of the largest independent SME leasing companies in Mexico by portfolio size
- As of 4Q20, leasing loans were 81% of the portfolio, leased real estate 12% and the remaining 7% being mostly factoring loans
- Industrial, services and healthcare are 37%, 40% and 10% of the portfolio
- Low exposure to hard hit sectors such as retail, auto, tourism and energy, as only 1% of the portfolio requested additional relief after the initial forbearance
- Secured debt is under 10% of gross debt and USD debt is fully hedged
- PE shareholders capitalized the issuer with US$10 mm in 1Q21
- Prudent liquidity management, essentially halting origination in 2Q and cautious origination since. Effectively maintaining portfolio collections above originations
- Provisioning and charge-offs have remained below 1% throughout the pandemic
- Per our estimates, we saw a US$45 mm (12% of gross debt) financing gap
    - Fully covered by the new US$45 mm DFC loan raised in 4Q20
    - US$10 mm equity injection and US$150 mm revolver line raised in 1Q21

Cons

- Though the halt in origination was a welcome development, the issuer offered the forbearance to all its customers. 45% of portfolio accepted in 2Q20
    - Yet only 1% of the portfolio requested additional relief
- Soft economic activity in Mexico pre-covid, in part from Govt. underinvesting
- Slower macroeconomic recovery post-covid as Mexico has not had any stimulus package and the vaccine roll-out pace is slow
- Exposure to macroeconomic factors such as NAFTA that can affect SME's
- Target SMEs are relatively smaller with lower avg. ticket sizes vs other leasing peers, which could eventually be more impacted by covid-19
- Concentrated portfolio with 70% located in Mexico City and the State of Mexico
- Historically, the issuer's average cost of funding has been above peers
- High consolidated NPL ratio of 6.7% vs peers, however leasing NPLs are in line

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

4Q20 Actual vs 4Q20 Estimate:

- 4Q20 net portfolio was US$423 mm, higher than our estimates due to FX appreciation
  - Net portfolio would have been 6% higher under a neutral FX
- We estimate portfolio FCF generation was US$28 mm in 4Q20
  - Outperforming our expected US$2 mm FCF
  - No details were provided on origination – a point to follow up with mgmt.
  - Assuming the same US$22 mm in origination guidance from 3Q20
    - We saw initially US$32 mm in total collections
    - Yet, the end cash would increase total collections to US$58 mm
  - As a result, our estimated FCF is US$28 mm
- Cash stood at US$42 mm, slightly above our US$37 mm estimate
- Due to FX appreciation, gross debt was flat q/q at US$407 mm
  - Gross debt would be US$42 mm lower under a neutral FX
  - We also note a US$11 mm in WK contraction due to higher A/P
  - As such, we estimate the total FCF was negative US$2 mm
- Net debt at US$365 mm is 6% higher than our US$343 mm estimate
  - Net debt increased by just US$2 mm vs 3Q20
  - Net debt would have decreased by US$34 mm with neutral FX
  - Net debt to loans (incl. hedges) is 85%

Conclusions:

- 4Q20 portfolio collections were above our estimates
  - Per issuers guidance, only 1% of portfolio remains under forbearance
- Overall portfolio collections continue to be above originations – a welcomed trend
- Our estimated US$45 mm funding gap is now more than fully covered
  - Raised a new US$45 mm loan, received US$10 mm from shareholders
  - Raised a US$150 mm warehousing revolving line
- Strong liquidity and manageable maturity schedule
- Secured debt is only around 10% of gross debt

DOCUFO (US$ MM)	4Q20 Actual	4Q20 BCP Est.
Net Loan Portfolio	**423**	**346**
Interest Income	20	14
Implied Portfolio Amortization	38	31
Total Cash Collection	**58**	**45**
Portfolio Origination	(22)	(39)
Admin Expenses	(3)	(2)
Interest Expense	(5)	(2)
Est. FCF	**28**	**2**
Total Debt	407	380
Final Cash	42	37
Net Debt	**365**	**343**
Net Debt / Net Loans	**86%**	**99%**
Net Debt (incl. hedges) / Net Loans	**85%**	**89%**
Est. FCF	28	
Debt (neutral FX)	(42)	
WK	11	
Est. Total FCF	**(2)**	
Net Debt Difference vs 2Q20	**2**	

NIGERIA

MARKET OUTPERFORM (NIGERIA):

SEPLLN 7.750% 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTCnv
SEPLLN 7 3/4 04/01/2026	650	B2/B/B-	100.75	7.53%

Seplat is an upstream oil and gas company located in Nigeria, with a production of almost 53kboepd, of which two thirds is oil and one third gas. The company operates in seven blocks, although the vast majority of its production comes from the OML 4, 38 & 41 blocks situated in the Niger Delta. Recently, the company placed new 26s for US$650mm to repay US$350mm of the 23s and US$250mm of its revolving credit facility.

PROS:

- Significant reserves with a low cost structure. 2P average life of nearly 27 years at Dec-20 (no 1P reserves disclosed)
- Long USD: USD denominated or linked revenues, while part of costs are in NGN
- Despite covid-19, production has remained sound, with an increase in every quarter during 2020
- Free cash flow generation of US$32mm in 2020 despite covid-19, with capex having remained at sound levels vs peers
- Low leverage: 2.5x in 4Q20, 1.0x in 2019 pre covid-19 and 2.0x internal policy
- Two current export routes operating normally while a third export route will provide a more secured route against potential attacks
- Recent refinancing of the 23s for new 26s extended the amortization profile and increased the bond size by US$300mm, potentially attracting a broader investor base
- ANOH gas project (JV with NGC) now fully funded after the US$260mm financing obtained in Feb21

CONS:

- Given OPEC quotas agreed, production for 2021 is expected to average 48-55kbpd
- Production concentrated in the OML 4, 38 & 41 blocks (77% of total)
- The ramp-up of the third export route has been constantly delayed, now to 2H21. We note the project is outside of Seplat's control as the company is not involved in its construction
- First gas of the ANOH project has been delayed to 1H22 (previously 4Q21) given covid19 issues. Further delays cannot be discarded due to the advances of new waves
- Exposed to militant attacks, which through Feb-16 to Jun-17 resulted in the shut down one of the main (and one of the only two) existing export routes

MARKET OUTPERFORM (NIGERIA):

SEPLLN 7.750% 26s

ANALYSIS OF 4Q20 RESULTS:

- Revenue decreased 7% q/q to US$143mm
- Production for the year averaged 51.2kbpd, within guidance of 48-52kbpd. Guidance for 2021 stands at 48-55kbpd
- EBITDA dropped 46% q/q to US$45mm, driven by a 350% increase in SG&A – given by abnormal low SG&A during previous quarter, as well as due to an increase in opex per barrel
- Free cash flow was positive US$18mm given by working capital gains, mostly as a result of lower trade receivables, which offset the higher capex
- For FY21, management is guiding a capex level of US$150mm,
- We estimate at a 50kbpd production, this results in a capex per boe of US$8.2/bbl, in line with our estimate development cost of PUD
- Net debt as a result decreased 8% q/q to US$446mm
- LQA net leverage increased to 2.5x
- At current Brent prices, we expect net leverage to return to 1.0-1.5x
- As of December 31, 2020, management reported 2P reserves of 499mmboe, a 2% decrease y/y. The company does not report 1P levels
- We estimate at 2020 production, this results in more than 26 years of production and a net debt to 2P level of US$0.90/boe, lowest among peers

SEPLAT (US$MM)	4Q20	4Q19	3Q20	y/y	q/q
Revenue	143	203	154	(30%)	(7%)
EBITDA	45	124	82	(64%)	(46%)
EBITDA margin	31.3%	61.2%	53.3%		

SEPLAT (US$MM)	4Q20	4Q19	3Q20	y/y	q/q
Total Debt	704	799	699	(12%)	1%
Cash and Equivalents	259	333	213	(22%)	21%
Net Debt	446	466	486	(4%)	(8%)
LQA gross leverage	3.9	1.6	2.1		
LQA net leverage	2.5	0.9	1.5		

SEPLAT (US$MM)	4Q20	4Q19	3Q20
EBITDA	45	124	82
Working capital	57	87	(53)
Capex	(76)	(616)	(18)
Receipts from OML 55	-	19	-
Interest paid	(7)	(12)	(1)
Taxes paid	(0)	(4)	(0)
FCF	**18**	**(400)**	**10**

SEPLLN 7.750% 26s MARKET OUTPERFORM (NIGERIA)

	Geopark	Frontera	Gran Tierra	Seplat	Tullow	Kosmos	Pampa	Medco Energi	Canacol
Current bond price (3/31/21)	102.00	99.75	80.50	100.75	84.00	97.75	81.00	106.81	106.50
Current bond yield	5.02%	9.81%	12.80%	7.53%	12.27%	7.67%	12.15%	5.81%	4.32%
Matrix	85% oil 15% gas	97% oil 3% gas	99% oil 1% gas	66% oil 34% gas	90% oil 10% gas	94% oil 6% gas	10% oil 90% gas	39% oil 61% gas	100% gas
Period	4Q20	4Q20	4Q20	4Q20	2H20	4Q20	4Q20	3Q20	4Q20
Avg Realized Price (US$/boe)	30.2	44.1	36.8	30.1	50.5	55.9	17.3	26.8	23.6
Brent	45.2	45.2	45.2	45.2	44.3	45.2	n/a	n/a	n/a
Discount	33%	2%	19%	31%	0%	0%	n/a	n/a	n/a
Breakeven Costs (US$/boe)									
Cash Opex (Rev – EBITDA)	14.4	35.2	22.0	20.6	20.0	30.4	12.5	13.8	6.6
Development Cost of PUD (1)	4.6	10.0	8.8	8.0	20.0	28.8	7.0	8.0	5.1
Interest Costs	4.5	2.4	5.6	2.7	11.7	5.0	-	5.1	2.6
Breakeven per boe (before taxes)	**23.5**	**47.6**	**36.4**	**31.3**	**41.7**	**64.2**	**19.5**	**26.9**	**14.3**
Breakeven 2019	*29.3*	*53.9*	*44.5*	*29.5*	*44.4*	*54.6*	*24.9*	*41.0*	*n/a*
Brent	**64**	**64**	**64**	**64**	**64**	**64**	**n/a**	**n/a**	**n/a**
Pro forma realized price	42.8	63.0	51.8	42.9	64.0	64.0	n/a	n/a	n/a
(1) Development Cost of PUD									
PUD (mmboe)	51	81	36	Not reported	Not reported	50	65	Not reported	20
Future development costs (2)	233	808	312	Not reported	Not reported	1,423	451	Not reported	101
Development cost of PUD	4.6	10.0	8.8	8.0	20.0	28.5	7.0	8.0	5.1

(2) Based on 2020 reserves report, except Pampa 2019. Seplat, Tullow and Medco PUD based on its geographical locations and production matrix compared vs closest peers

	Geopark	Frontera	Gran Tierra	Seplat	Tullow	Kosmos	Pampa	Medco Energi	Canacol
Reserves									
PDP	59	27	43	Not Reported	Not reported	89	71	Not Reported	49
1P reserves	51	108	79	Not Reported	Not reported	139	135	Not Reported	69
2P reserves	175	174	133	499	260	Not reported	Not reported	332	112
Net debt (US$mm)	583	306	761	445	3,582	1,962	1,153	2,473	347
Net debt / PDP	**10.0**	**11.3**	**17.7**	**n/a**	**n/a**	**22.0**	**16.3**	**n/a**	**7.1**
Net debt / 1P reserves	5.3	2.8	9.7	n/a	n/a	7.3	8.5	n/a	5.0
Net debt / 2P reserves	3.3	1.8	5.4	0.9	13.8	n/a	n/a	8.2	3.1
Production									
Production 4Q20 (kbpd)	39.3	41.9	21.9	52.8	72.1	60.2	43.7	100.0	30.1
Average life of PDP (years)	**4.1**	**1.8**	**5.2**	**n/a**	**n/a**	**4.0**	**4.4**	**n/a**	**7.1**
Average life of 1P reserves	7.6	7.0	9.6	n/a	n/a	6.3	8.5	n/a	5.0

MARKET OUTPERFORM (NIGERIA):

SEPLLN 7.750% 26s

	Geopark	Frontera	Gran Tierra	Seplat	Tullow	Kosmos	Pampa recourse	Medco Energi	Canacol
2021 FCF estimations with hedges reported @ Brent of $64									
Blended price [1]	**43**	**62**	**49**	**43**	**64**	**64**	**23**	**35**	**24**
Cash Opex [2]	14	35	22	21	20	30	12	14	24
EBITDA	**28**	**27**	**27**	**22**	**44**	**34**	**10**	**22**	**17**
Interest Costs	5	2	6	3	12	5	-	5	3
EBITDA – interest	**24**	**25**	**21**	**20**	**32**	**29**	**10**	**16**	**14**
2021 capex (US$mm) [3]	140	250	150	150	265	250	63	180	84
Production 2021	42	42	28	52	63	55	44	100	30
Capex per boe	9	17	15	8	12	13	4	5	8
EBITDA – interest – capex	**15**	**8**	**6**	**12**	**21**	**16**	**6**	**11**	**7**
2021 Capex deficit / (surplus) vs estimated dev cost of PUD	(4)	(6)	(6)	-	8	16	4	3	(3)

[1] Assuming 4Q20 discounts to Brent and outstanding gas prices
[2] For simplification purposes, the analysis assumes similar cash costs than 3Q20
[3] Assuming mid-guidance levels

US$mm	2021	2021	2021	2021	2021	2021	2021	2021	2021
Est. Free cash flow	226	127	63	217	477	325	99	417	74
EBITDA – capex other segments	0	0	0	0	0	0	200	20	0
Net debt Dec20	583	306	761	445	3,582	1,962	1,153	2,473	347
Estimated net debt Dec21	**357**	**179**	**698**	**228**	**3,105**	**1,637**	**854**	**2,036**	**273**

MARKET OUTPERFORM (NIGERIA):

SEPLLN 7.750% 26s

FCF AND NET LEVERAGE SENSITIVITY ANALISYS

(US$ MM)	Geopark	Frontera	Gran Tierra	Seplat	Tullow	Kosmos	Pampa	Medco Energi
Estimated 2021 EBITDA per boe under the following Brent prices (does not assume any hedge and assumes 4Q20 cash costs)								
40	12	4	11	6	20	10	8	14
45	16	9	15	9	25	15	8	16
50	19	14	19	13	30	20	9	17
55	22	18	23	16	35	25	9	19
60	26	23	27	19	40	30	10	20
65	29	28	31	23	45	35	10	22
Estimated 2021 FCF per boe under the following Brent prices (EBITDA – interest – Development cost of PUD) (1)								
40	3	(9)	(4)	(5)	(12)	(24)	0	1
45	7	(4)	0	(1)	(7)	(19)	0	3
50	10	1	4	2	(2)	(14)	1	4
55	13	6	8	5	3	(9)	1	6
60	17	11	12	9	8	(4)	2	7
65	20	16	16	12	13	1	2	9
(1) Assuming 2020 interest cost per boe and estimated development cost of PUD as previously calculated								
Estimated net debt at 31.12.2021 under the following Brent prices (US$mm)								
40	533	435	800	534	3852	2440	958	2423
45	482	361	759	471	3737	2340	950	2368
50	431	287	718	409	3622	2240	942	2314
55	380	213	677	346	3507	2139	934	2259
60	328	140	637	284	3392	2039	926	2204
65	277	66	596	221	3277	1939	918	2150
Estimated net leverage at 31.12.2021								
40	2.8	7.5	7.6	13.0	8.4	6.4	2.4	4.0
45	2.0	2.7	5.2	5.7	6.5	4.6	2.3	3.6
50	1.5	1.4	3.8	3.3	5.2	3.6	2.2	3.2
55	1.1	0.8	3.0	2.1	4.4	2.8	2.1	2.9
60	0.8	0.4	2.4	1.4	3.7	2.3	2.1	2.7
65	0.6	0.2	1.9	0.9	3.2	1.9	2.0	2.4

RUSSIA

MARKET OUTPERFORM (RUSSIA):

CRBKMO 8.875% Perp

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid-Price	Mid YTCnv
CRBKMO 8.875% Perp	$540/ $700	Caa2u/-/B-	100.50	8.53%

Founded in 1992, **Credit Bank of Moscow (Ba3/BB-/BB)** is Russia's second largest private bank and 7th largest overall by asset size. Since its inception, the bank was operating only in Moscow and the Moscow region, it changed, however, in 2018 when the bank acquired Sovetsky Bank. Since 2015, the bank is listed on the MICEX with a market cap of ~US$2.78 billion.

PROS:

- Shareholders – Mr. Roman Avdeev (69.8% via Concern Rossium) with a net worth of over US$1 billion, according to Forbes; and EBRD (3.6%)
- The MICEX-listed (since June 2015) with a market cap of ~US$2.78 billion with a 20% free-float; SPOs in 2017 and 2019
- Russia's second largest private and 7th largest overall by asset size with presence in 22 regions since mid- 2018 (Sovetsky Bank)
- Systemically important bank (SIB) since Sept 2017 by the Central Bank of Russia (CBR) definition
- Improved capitalization with CET1 (under the CBR) at 8.9% and Total CAR (under Basel) at 21.3%; the trigger for AT1 write-off at 5.125%
- Historically, solid asset quality with NPLs in low single-digits – the highest NPL of 5.4% in 1Q16

CONS:

- Rapid net loan book growth in 2020 (+28%) resulted in a slightly deteriorated CAR ratios (under the CBR)
- Loan portfolio – dominated by corporate loans (87.5% of the total loan portfolio) with high concentration of loans for O&G industry
- Lowest NIM of 4% among the peers, top Russian private banks
- Sizable securities portfolio – 40% of the bank's net loan book
- Super conservative approach to retail loans (12.5% of the total loan book): focus on mortgage loans (29% of the book); majority of retail customers (70%) are repeat and payroll
- Expansion – after operating for years just in two regions; the bank embarked on an inorganic expansion acquiring other banks: Sovetsky (2018), Rusnar and Vesta (2020) and plans to continue, if an opportunity presents itself

MARKET OUTPERFORM (RUSSIA):

CRBKMO 8.875% Perp

CRBKMO, RUB MM	4Q20	4Q19	3Q20	y/y	q/q
Total Assets	2,916,465	2,423,497	2,952,680	20%	-1%
Cash and equivalents	683,283	953,645	753,922	-28%	-9%
Securities Portfolio	402,181	296,718	476,838	36%	-16%
Gross Loans	1,059,139	829,195	1,011,673	28%	5%
Net Loans	1,009,165	788,655	958,994	28%	5%
Deposits	1,737,515	1,339,535	1,474,316	30%	18%
Equity	234,496	210,432	220,978	11%	6%
Net Interest Income	16,707	13,154	15,042	27%	11%
Net F&C Income	7,806	3,105	2,917	151%	168%
Operating Income	39,786	15,521	13,462	156%	196%
Provision Charge	(3,064)	(14,283)	(2,903)	-79%	6%
Operating Expenses	(5,619)	(12,491)	(4,608)	-55%	22%
Net (loss) / Profit	12,907	75	7,978	17109%	62%
Ratios					
NPL	3.1%	3.6%	3.1%	(0.5pp)	(0.0pp)
Cost of Risk (CoR)	1.8%	1.0%	2.1%	0.8pp	(0.3pp)
Basel III					
Core Tier I	12.3%	11.9%	10.0%	0.4pp	2.3pp
Tier I CAR	15.0%	14.5%	12.6%	0.5pp	2.4pp
Total CAR	21.3%	21.2%	18.2%	0.1pp	3.1pp
CBR					
Core (N1.1) - CET1, min 4.5%	8.9%	9.9%	8.9%	0.5pp	(0.0pp)
Tier I (N1.2) - Main, min 6.0%	11.5%	12.6%	11.3%	(0.2pp)	0.2pp
Total CAR (N1.0), min 8.0%	18.7%	19.5%	17.2%	(2.4pp)	1.5pp
FX (RUB/USD)	74.04	61.95	77.66	20%	-5%

4Q20 IFRS Results:

- Assets – RUB 2.92 trillion (+20% y/y and -1% q/q); in USD-terms, assets were at US$39.3 billion (+1% y/y and +4% q/q) as RUB gained 4.7% of its value during 4Q20
    - Gross Loan Portfolio – RUB 1.06 trillion (+28% y/y and +5% q/q)
    - Corp (87.4% of the total loan book (-0.6pp q/q)) – up 28.7% on increased demand from high-quality corporate borrowers and revaluation of FX loans
- Retail (12.6% of the total loan book (+0.6pp q/q)) – up 21.4% on growing mortgage lending on relatively low interest rates and government subsidy programs and also from consolidation of Rusnarbank and Vesta Bank in 2Q20
- Securities Portfolio – RUB 402 billion (+36% y/y and -16% q/q) – mostly Russian Government bonds (Federal Bonds (OFZ))
- Asset Quality
    - NPLs – maintained sequentially at 3.1% (0.0pp q/q)
    - CoR – improved to 1.8% (-0.3pp q/q)
    - 4Q20 interest income cash collection – notably improved to 130.5% vs. 87.3% in 3Q20; 90% of collection returned to normal in 4Q20
- Deposits - RUB 1.74 trillion (+30% y/y and +18% q/q) – grew during the quarter and at a much faster pace than loans resulting in deterioration of the Net loan/ Deposits ratio to 58.1% (-6.9pp q/q)

MARKET OUTPERFORM (RUSSIA):

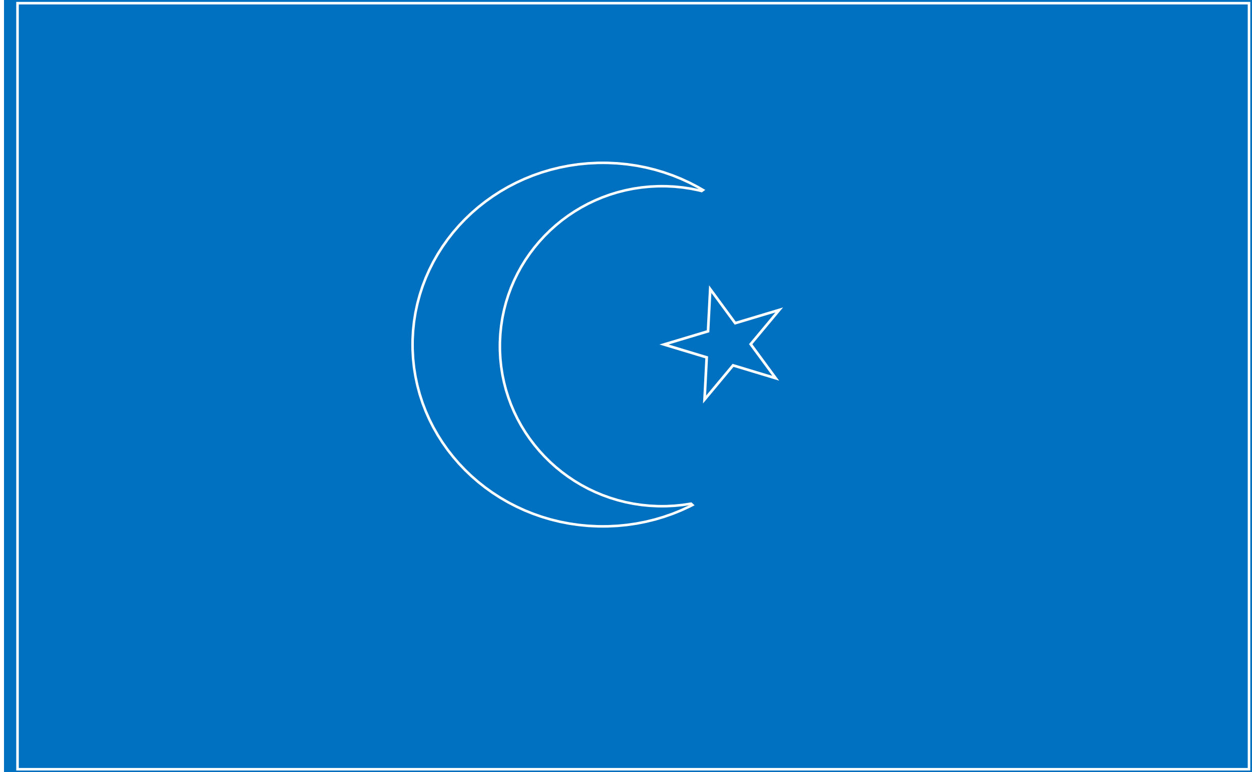
CRBKMO 8.875% Perp

Credit Bank of Moscow vs Peers	CRBKMO	ALFARU	SOVCOM	AKBHC	HCFBRU
	4Q20	2H20	4Q20	4Q20	2H20
Ratings	Ba3/BB-/BB	Ba1/BB+/BBB-	Ba1/BB/BB+	Ba3/ - /BB	- / - /BB-
Position	7	5	9	16	34
Perp Bond Call	2022	2022	2025	2022	2025
Perp Bond Coupon	8.875%	8.0%	7.75%	9.25%	8.8%
Perp Bond Yield	8.6%	4.6%	7.4%	5.6%	8.5%
Spread to Sovereign	765	365	655	465	765
Gross Loans	14,306	42,714	10,041	6,018	3,041
NPLs (%)	3.1%	2.7%	2.1%	10.4%	4.3%
Deposits	23,468	43,708	13,488	8,467	2,432
Net Loans to Deposits	58.1%	94.4%	71.2%	60.1%	118%
NIM	4.0%	4.2%	7.4%	16.5%	13.5%
ROAA	1.1%	2.5%	5.3%	6.2%	2.7%
ROAE	16.9%	16.0%	42.4%	40.5%	10.2%
Total CAR	21.3%	17.8%	15.6%	17.8%	30.2%
CET 1	8.9%	10.1%	10.7%	10.2%	12.5%
Interest Collected / Interest Accrued	130.5%	98.3%	99.5%	100.0%	106.0%

Yields per Bloomberg as of April 2, 2021

4Q20 IFRS Results (continued):

- Deposits - RUB 1.74 trillion (+30% y/y and +18% q/q) – grew during the quarter and at a much faster pace than loans resulting in deterioration of the Net loan/ Deposits ratio to 58.1% (-6.9pp q/q)
- Net Profit – RUB 12.9 billion (+62% q/q) – grew sequentially despite higher provision charge (+6% q/q) and operation expenses (+22% q/q) on higher net interest income (+11% q/q), higher net F&C income (+168% q/q) as well as profitable operations with securities
- NIM slightly improved to 2.3% (+0.1pp q/q)
- Capitalization – improved under both Basel III and the CBR:
    - Basel III: Core Tier I CAR at 12.3% (+2.3pp q/q), Tier I CAR at 15.0% (+2.4pp q/q) and Total CAR at 21.3% (+3.1pp q/q)
    - CBR: Core CAR (CET1) to 8.9% (0.0pp q/q), Tier I at 11.5% (+0.2pp q/q) and Total CAR at 18.7% (+1.5pp q/q)



TURKEY

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
TCZIRA 5.125% 05/03/2022	$600	B2/-/B+	100.38	4.76%

Established in 1863 and wholly owned by the national government through the Turkish Wealth Fund, **Ziraat** is the largest bank in Turkey. For decades, the bank has been the main lender to the agribusiness industry and it is also a leader in the mortgage business, while also having presence in other commercial and consumer businesses

PROS:

- Largest Turkish bank, with a network of more than 1,800 branches.
- The sole bank distributing government subsidized agro-loans with 61% of market share in agribusiness while also a leader in the mortgage business with a 33% market share
- Sound stated asset quality with NPL of 2.3% - about half the sector average and lowest among commercial banks, and with the lowest share of stage II loans
- Sound capitalization with CET of 13.9%, one of the highest in the industry
- Strong liquidity, in line with the Turkish banking industry as a whole
- Highest NIM among the state-banks and one of the highest among banks
- Turkish state has recently proven its support through direct capitalization in May20, which strengthened capital ratios by 115bps, and previously in Apr19 through AT1 subscription
- Recently obtained US$400mm form China Eximbank after the Central Bank head saga, demonstrating financing is still opened for Turkish state owned banks

CONS:

- State own banks have massively increase lending in 2019 and 2020 in order to support the economy growth (e.g. they were to provide loans of up to 3 years at a 7.5% rate)
- During 2020, the state owned banks reported large trading losses given the sovereign pressure to support the lira
- Nearly 50% of deposits are denominated in USD compared with only 24% of loans
- 3-months payment holiday given to those customers upon request and Central Bank regulation to double the days past-due before recognition of NPLs are likely to distort asset quality reporting

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

PEER TABLE

	Ziraat	Isbank	Yapikredi	Akbank	Garanti	Vakif
	4Q20	**4Q20**	**4Q20**	**4Q20**	**4Q20**	**4Q20**
Senior bond maturity	2022	2022	2022	2022	2022	2022
Senior bond yield	4.9%	4.5%	4.6%	4.5%	4.0%	5.5%
Spread to sovereign	108	71	84	(12)	(67)	168
Gross loans	619	345	301	280	350	422
NPLs (%)	2.3%	5.6%	6.5%	6.2%	4.5%	4.0%
Stage 2 loans	7%	13%	18%	9%	17%	8%
Deposit base	630	369	264	292	358	414
Loans to deposits	98%	93%	114%	94%	98%	101%
BCP liquidity ratio (*)	40%	42%	40%	43%	40%	45%
NIM	5.0%	3.4%	3.8%	4.1%	5.4%	4.3%
Cost / Income	33.3%	32.9%	33.4%	33.8%	36.5%	30.7%
ROAA	1.0%	1.3%	1.1%	1.4%	1.3%	0.9%
ROAE	9.8%	11.7%	11.4%	10.9%	11.0%	12.6%
Total CAR	16.9%	18.0%	16.7%	19.8%	16.9%	15.9%
CET1	13.9%	14.2%	11.4%	16.9%	14.3%	11.2%
Interest collected / Interest accrued	94%	91%	91%	93%	94%	83%

Yields per BBG as of April 1nd, 2021

(*) Cash and equivalents to deposits + funds received + securities issued

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

Analysis of 4Q20 results

- Gross loans remained practically unchanged q/q at TRY619bn (US$80.7bn)
- NPLs increased 20bps q/q to 2.3%, still remaining by far lowest among direct peers
- Share of stage II loans in total is also the lowest at 6.5%, 110bps lower q/q
- According to the bank, impact of temporary forbearance measures on NPLs was 70bps
- Gross provisioning increased 86% q/q to TRY4.2bn, with cost of risk decreasing 20bps q/q to 120bps given by the reversal of provisions
- Coverage of NPLs dropped to a still sound 135%
- Interest collected per cash flow statement ended the full year at 94%, in the high range among peers, with a 97% ratio in 4Q20
- Deposit base declined 2% q/q to TRY630bn (US$84.7bn)
- Loan to deposit increased 180bps q/q to 98.3%
- Liquidity remains high, with cash and equivalents representing 50% of total deposits and 40% of deposits plus loans and market debt, recovering from 46% and 38% in 3Q
- Reported FX liquidity ratio of 397% and a total liquidity ratio of 138%
- Net Interest Income before provisions decreased 37% q/q to TRY6,202mm (US$788mm) given by a sharp increase on financial expenses
- Accumulated NIM contracted 80bps q/q to 5.0%
- Net income from services decreased 4% q/q to TRY925mm (US$118mm)
- Opex decreased 13% q/q TRY2,624mm (US$334mm)
- Accumulated Cost / Income decreased 190bps q/q to 33.3%
- Trading results were negative TRY702mm
- Other operating income grew 517% q/q to TRY2,961mm (US$376mm), mostly due to the reversal of provisions
- Net income increased 10% q/q to TRY1,734mm (US$220mm)
- Accumulated ROAE decreased 20bps q/q to 9.8%
- Total CAR strengthened 160bps q/q to 16.9% (ex-forbearances)
- TIER1 increased 160bps q/q to 15.8% (ex-forbearances)
- CET1 in turn improved 150bps q/q to 13.9% (ex-forbearances)

ZIRAAT (TRY MM)	4Q20	4Q19	3Q20	y/y	q/q
Financial income	19,707	16,528	17,536	19%	12%
Financial expenses	(13,505)	(7,901)	(7,650)	71%	77%
Net interest income before provision	6,202	8,627	9,886	(28%)	(37%)
Provisions	(4,151)	(3,154)	(2,230)	32%	86%
Income from services, net	925	1,114	964	(17%)	(4%)
Operating expenses	(2,624)	(2,604)	(3,009)	1%	(13%)
Net income	1,734	2,342	1,581	-26%	10%
NIM	5.0%	5.0%	5.8%		
Efficiency ratio	33.3%	40.8%	35.2%		
ROAA	1.0%	1.1%	1.0%		
ROAE	9.8%	10.1%	10.0%		

ZIRAAT (TRY MM)	4Q20	4Q19	3Q20	y/y	q/q
Loans	619,417	448,928	621,895	38%	0%
Total deposits	629,874	447,251	644,667	41%	(2%)
NPL/ loans	2.3%	2.8%	2.1%		
Loans to Deposits	98.3%	100.4%	96.5%		
Cash and equivalents to deposits	50.3%	42.0%	45.8%		
Interest collected to accrued	97%	85%	111%		
Capital Ratio	16.9%	17.0%	15.3%		
CET1	13.9%	14.1%	12.4%		

UAE

MARKET OUTPERFORM (UAE):

DAMACR 6.525% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid-Price	Mid YTCnv
DAMACR 6.525% 04/18/2023	$392/ $400	-/B/-	99.13	7.09%

Established in 2002, **Damac Properties (- /B /-)** is a Dubai-based luxury real estate developer. Founder and the majority owner is Mr. Hussai Sajwani. Since 2015, listed on the Dubai Financial Market with a current market cap of AED7,320M (~US$1,993 mm). Besides Dubai (UAE), Damac has presence in Saudi Arabia, Qatar, Jordan, Lebanon, Oman and the UK, where it has one of the tallest residential buildings (50 floors) in London

PROS:

- Shareholders – Mr. Hussai Sajwani (72%) with a net worth of US$2.4 billion, according to Forbes (2021)
- Since 2015, listed on the Dubai Financial Market with a market cap of AED 7,320M (US$1,993 mm) with a 27% free-float; prior to that listed on the LSE
- Besides Dubai (UAE), Damac has presence in Saudi Arabia, Qatar, Jordan, Lebanon, Oman and the UK. Majority of revenue generated in the UAE.
- Diversified business – consists of three segments: development, hospitality and international. Focused on sales of completed inventory.
- Solid liquidity position covering ~15x the amount of the company's short-term debt.
- Debt to Equity of 0.1x and positive net working capital, an asset

CONS:

- UAE Economic Environment – oil price improved (US$62/barrel) since hitting record lows in April 2020 (just below US$20/barrel), while remain well below the 2014 levels (first nine months above US$100/barrel)
- Dubai Real Estate Sector – values dropped by ~30% since 2014, when Dubai announced it would host Expo 2020 event, which was moved to 2021 due to the outbreak of the COVID-19 pandemic in early 2020. Prior to that, the sector has been struggling due to the oversupply and sluggish economic growth.
- Tourism, which supports Dubai construction and real estate sectors – was negatively impacted due to the COVID-19 travel restrictions. All 2Q20, Dubai was closed for tourists, but re-opened since July 2020
- Damac Revenue concentration – historically, majority of revenue generated in the UAE (99%)

MARKET OUTPERFORM (UAE):

DAMACR 6.525% 23s

Revenue, MM AED	4Q20	4Q19	y/y	3Q20	q/q
Domestic (UAE)	1,012	1,605	-37%	1,251	-19%
International	7	32	-79%	28	-76%
Total Revenue	1,019	1,636	-38%	1,280	-20%
Booked sales	700	760	-8%	549	28%
Number of units delivered	1,075	1,628	-34%	620	73%
Development Properties, MM AED	**4Q20**	**4Q19**	**y/y**	**3Q20**	**q/q**
Domestic (UAE)	6,668	8,525	-22%	7,526	-11%
International	1,115	1,002	11%	930	20%
Total	7,783	9,527	-18%	8,456	-8%
Income Statement, MM AED	**4Q20**	**4Q19**	**y/y**	**3Q20**	**q/q**
LTM Revenue	4,671	4,399	6%	5,288	-12%
Revenue	1,019	1,636	-38%	1,280	-20%
Cost of Revenue	776	1,183	-34%	1,015	-24%
Gross Profit	243	453	-46%	265	-8%
SGA expenses	253	237	7%	186	36%
D&A	15	16	-6%	15	-1%
Operating Profit/(Loss)	(242)	66	n/a	(508)	-52%
Provision for impairment on dev prop (non-cash)	359	110	227%	528	-32%
Provision for impairment on AR (non-cash)	(79)	41	n/a	51	-255%
EBITDA	53	224	-77%	87	-40%
LTM EBITDA	386	452	-15%	594	-35%
EBITDA margin	5.2%	13.7%	(8.5pp)	6.8%	(1.6pp)
LTM EBITDA margin	8.3%	10.3%	(2.0pp)	11.2%	(2.9pp)
Gross margin	23.9%	27.7%	(3.8pp)	20.7%	3.2pp
Net Income	(94)	(169)	-44%	(545)	-83%

4Q20 Financial Results:

- Revenue – AED 1,019 mm (-38% y/y and -20% q/q) – sequential decline despite an increase number of delivered units (+73% q/q to 700); Akoya residential master development and Business Bay are the company's main focus
  - Booked sales – AED 700 mm (-8% y/y and +28% q/q) - the focus in 2020 was on sales of completed and nearly completed inventory (new launches were reduced to avoid new capital commitments); the strategy will continue in 2021
  - Most of revenue (99.3%) - generated domestically, in UAE
- Gross margin – improved 3.2pp q/q to 23.9%
- EBITDA – AED 53 mm (-77% y/y and -40% q/q) with EBITDA margin at 5.2% (-8.5pp y/y and -1.6pp q/q)
- Positive Net Working Capital, an asset – remained generally unchanged at AED 6,775 mm (-1% q/q): lower inventories (-10% q/q) and A/R (-2% q/q) were generally offset by lower A/P (-12% q/q)
- Land bank – shrank to AED 8,782 mm (-14% y/y and -3% q/q)
- Total liabilities (i.e. net debt excluding cash in escrow) accounts for 15.4% of the company's land bank vs. 12.1% in 3Q20 with excess book value generally unchanged at AED 10,134 mm (-1% q/q)

MARKET OUTPERFORM (UAE):

DAMACR 6.525% 23s

Debt, MM AED	4Q20	4Q19	y/y	3Q20	q/q
Gross Debt	3,195	3,842	-17%	3,343	-4%
Short Term Debt	125	425	-71%	121	3%
Long Term Debt	3,070	3,417	-10%	3,221	-5%
Total Cash	4,242	4,646	-9%	4,597	-8%
Cash	1,843	1,200	54%	2,239	-18%
Cash held in escrow	2,399	3,446	-30%	2,358	2%
Net Debt	(1,047)	(804)	30%	(1,254)	-16%
Net Debt, ex cash in escrow	1,352	2,642	-49%	1,104	22%
LTM EBITDA	386	452	-15%	594	-35%
Equity	12,990	14,073	-8%	13,098	-1%
LTM Gross Leverage	8.3x	8.5x	-3%	5.6x	47%
LTM Net Leverage	(2.7x)	(1.8x)	53%	(2.1x)	29%
LTM Net Leverage, ex cash in escrow	3.5x	5.8x	-40%	1.9x	89%
Gross Debt/Equity	0.2x	0.3x	-10%	0.3x	-4%
Net Debt/Equity	(0.1x)	(0.1x)	41%	(0.1x)	-16%
Net Debt (ex cash in escrow)/Equity	0.1x	0.2x	-45%	0.1x	23%
FCF, MM AED	**4Q20**	**4Q19**	**y/y**	**3Q20**	**q/q**
EBITDA	53	224	-77%	87	-40%
Interest	(111)	(122)	-9%	(6)	1625%
Capex (maintenance)	(1)	(4)	-77%	(2)	-54%
Taxes	(0)	(0)	0%	(0)	0%
FCF (pre-Working Capital)	(59)	99	-160%	79	-175%
WC, Net Change, incl Inv into Dev Properties	383	(365)	n/a	175	119%
FCF (post-Working Capital)	324	(266)	n/a	254	28%
FX (AED/USD)	3.67	3.67	0%	3.67	0%

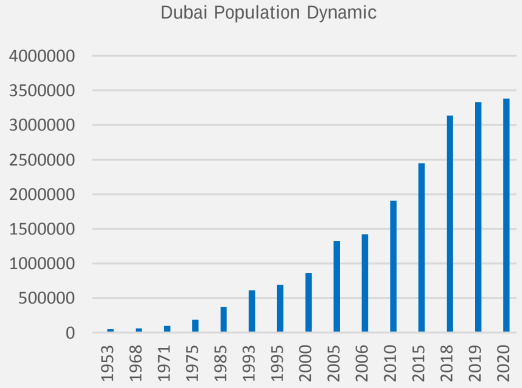
Land Bank Financing, MM AED	4Q20	4Q19	y/y	3Q20	q/q
Inventories	2,232	2,462	-9%	2,489	-10%
Accounts Receivable (A/R), incl	9,428	11,456	-18%	9,627	-2%
Accounts Payable (A/P), incl	(2,818)	(3,446)	-18%	(3,216)	-12%
Customer Advances	(2,068)	(2,371)	-13%	(2,047)	1%
Working Capital (WC)	6,775	8,101	-16%	6,853	-1%
Investment Properties, net	173	181	-4%	175	-1%
LT Development Properties	7,783	9,527	-18%	8,456	-8%
PP&E	64	128	-50%	118	-46%
Inv in Associates & JVs, incl	763	370	106%	352	117%
Land bank	8,782	10,206	-14%	9,101	-3%
Net Debt, ex cash in escrow	1,352	2,642	-49%	1,104	22%
Land Bank	8,782	10,206	-14%	9,101	-3%
Excess book value	10,134	12,848	-21%	10,204	-1%
Financing as % land bank	15.4%	25.9%	(10.5pp)	12.1%	3.3pp

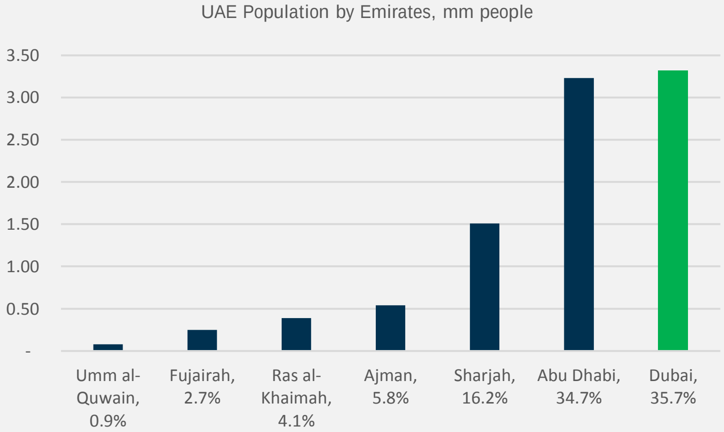
4Q20 Financial Results (continued):

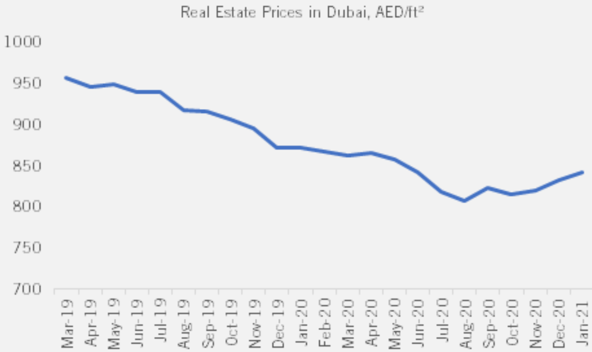
- Revenue – AED 1,019 mm (-38% y/y and -20% q/q) – sequentGross Debt – AED 3.2 billion (-4% q/q), of which long-term debt, represented by two sukuk issuances: US$500 mm DAMACR 6.25% 22s and US$400 mm DAMNet Debt (excluding cash in escrow) – AED 1,352 mm (+22% q/q) with unrestricted cash at AED 1,843 mm (-18% q/q) vs. AED 125 mm in short-term debt
- Liquidity – total cash, 57% of which is cash held in escrow, is at AED 4,242 mm (-8% q/q)
- Net Leverage – deteriorated to 3.5x vs. 1.9x in 3Q20 on lower LTM EBITDA (-35%); improved y/y vs 5.8x in 2019
- FCF Negative (pre-working capital) – and notably improving following AED 383 mm working capital release

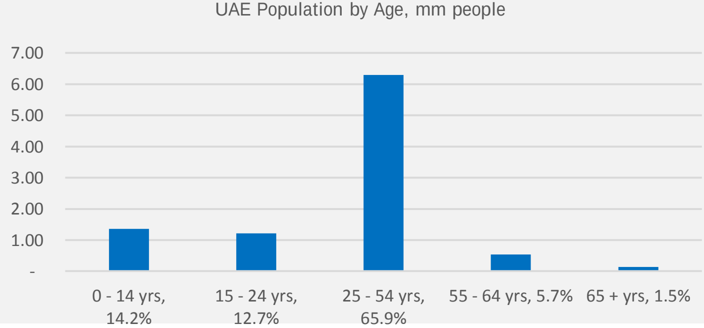
MARKET OUTPERFORM (UAE):

DAMACR 6.525% 23s





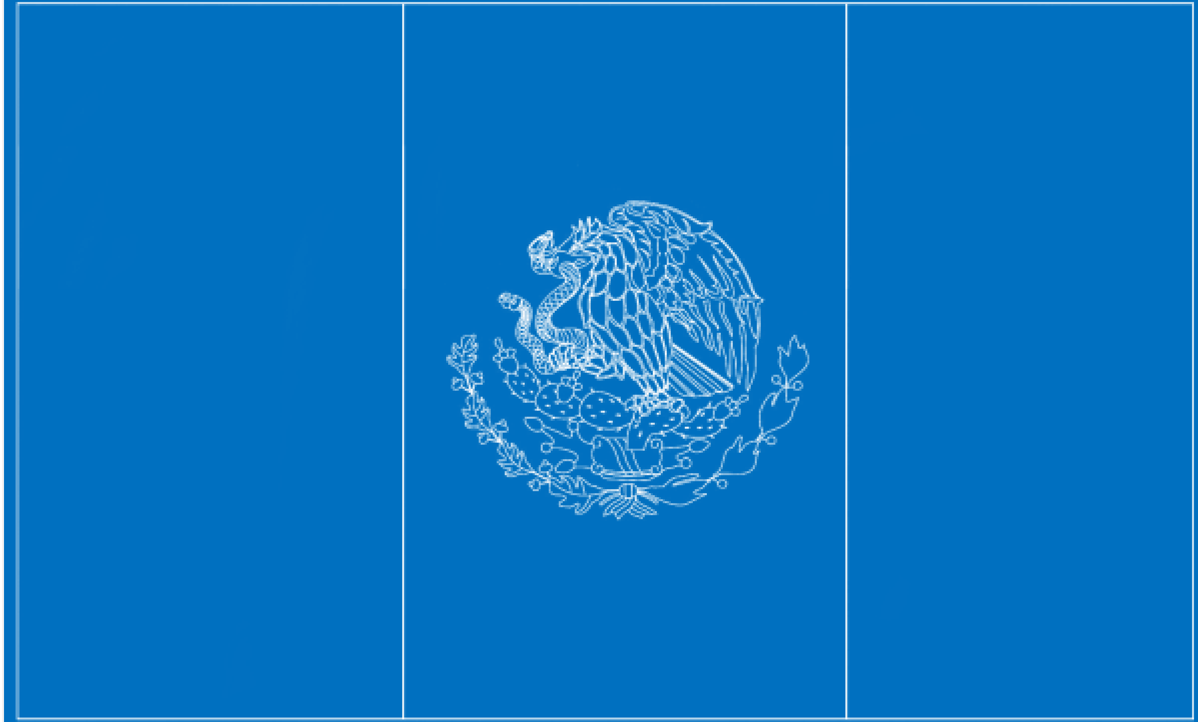




MEXICO

CREAL 9.5% 26s

MARKET UNDERPERFORM



MEXICO

MARKET UNDERPERFORM (MEXICO):

CREAL 9.50% 26s

Crédito Real is the largest non-bank payroll lender in Mexico with a US$188 mm market cap. Traditionally a payroll lender with 57% of the total portfolio focused on Federal Education, IMSS and both Federal and State Govt. entities. The current low Mexican Govt. employee turnover during the pandemic should result in stable PDL performance, though we note some agencies did impose forbearance. Namely Mexico's IMSS that represents 18% of CEAL's portfolio. Reported NPLs remain low yet we have seen asset deterioration in local securitizations, increased provisioning and charge-offs, as well as elevated foreclosed SME assets that are not classified as NPLs. We suspect weakness in SMEs, now 24% of the portfolio, contributed to the portfolio yield decreasing to 20%. Our main concerns are FCF burn in recent quarters and the funding needs, particularly given the pre-pandemic originations which we suspect include portfolio extensions. Per our estimates, we saw the issuer having a large US$1.1 bn (44% of gross debt) financing gap at "normal" pre-pandemic origination through 2021. Yet, we do recognize that CREAL has managed to issue a US$500 mm bond in 1Q21 and raise additional banking lines. The strong banking relationships and access to capital markets have mitigated our underperform thesis, yet with bonds trading above par with evident FCF burn, we **maintain CREAL 26s as Market Underperform.**

Description	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTCnv
CREAL 7.25% 07/20/2023	427	- /BB/BB+	103.00	5.82%
CREAL 9.50% 02/07/2026	400	-/BB/BB+	106.50	7.51%
CREAL 8.00% 01/21/2028	500	-/BB/BB+	101.25	7.76%
CREAL 9.13% PERP	230	-/B/BB-	90.68	8.98%

Pros

- One of the largest non-bank lenders in Mexico by loan portfolio
- Low Mexican Govt. employee turnover should result in stable PDL performance
- Traditionally a PDL lender accounting for 57% of the portfolio; however, SMEs now account for 24% of the portfolio after the CRA leasing consolidation
- Central America portfolio stands at 10%, whilst the US portfolio at 5%
- As of 4Q20, the reported NPLs were 1.8%
- Strong banking relations and access to capital markets, highlighted by having low funding costs and recurrent refinancing and capital markets deals
- Net debt to net loans (incl. hedges) stands at 102%
- Founding family members still hold 33% of the issuer's equity

Cons

- The Mexican Govt. dictates policies on unionized state and federal public sector organizations, subject to continuing uncertainty
- Though the new PDL regulatory framework is expected to be positive for the sector, recent comments from the Secretary of Finance pointed to lower interest rates
- Rotation of administrators within Govt. entities and labor unions may affect current and future award of contracts, highlighted by recent developments in Chiapas
- The loan portfolio has remained flat despite the high reported origination levels
- NPLs at a local securitization reached 5.5% in February 2021
- SME foreclosed assets jumped in 4Q20, which are not recorded as NPLs
- In 4Q20, the portfolio yield was 20% vs 30% a year ago. We suspect the decline comes from proportional income to originators and weakness in the SME portfolio
- 27% of gross debt is due through 2021, secured debt stands at 27% of portfolio
- Per our estimates, we saw a large S$1.1 bn (44% of gross debt) financing gap at normalized origination through 2021
    - Partially covered by the recent US$600 mm in liquidity raised in 1Q21

MARKET UNDERPERFORM (MEXICO):

CREAL 9.50% 26s

4Q20 Actual vs 4Q20 Estimate:

- 4Q20 net portfolio was US$2,480 mm, higher than our estimates due to FX appreciation
  - Net portfolio would have been 6% lower under a neutral FX
- We estimate portfolio FCF burn was US$160 mm in 4Q20
  - Underperforming our expected US$51 mm FCF burn
  - Per the reported origination at US$364 mm in 4Q20
    - We saw initially US$587 mm in total collections
    - Yet, end cash would mean total collections were lower at US$306 mm
  - As a result, our estimated FCF burn is US$160 mm
- Cash stands at US$114 mm, well above our US$20 mm estimate
- However, there are two key points on follow up regarding the US$122 mm WK contraction
  - Derivative inflows were US$141 mm, larger than last quarter´s US$62 mm inflow
  - Foreclosed assets jumped by US$66 mm q/q, appearing as an outflow
    - Collateral seized from SMEs, but are not accounted as NPLs
  - Gross debt increased q/q to US$2,715 mm
    - Would have been US$116 mm lower under a neutral FX
  - As such, we estimate total FCF burn was US$155 mm
- Net debt at US$2,601 mm is 5% higher than our US$2,470 mm estimate
  - Net debt increased by US$155 mm vs 3Q20
  - Net debt would have decreased by US$104 mm with neutral FX
  - The net debt to loans (incl. hedges) is 102%

Conclusions:

- 4Q20 portfolio collections remain below portfolio originations
  - Yet, despite the origination the PDL portfolio has been flat q/q
  - We note NPLs at local securitization were 5.5% in February 2021
  - Weakness in SME portfolio persists, highlighted by high foreclosed assets
- The issuer´s FCF burn has been offset by large derivative inflows
- We estimated a US$1.1 bn (44% of debt) funding gap at normalized origination
  - Partially covered by the recent US$600 mm in liquidity raised in 1Q21

CREAL (US$ MM)	4Q20 Actual	4Q20 BCP Est.
Net Loan Portfolio	**2,480**	**2,285**
Interest Income	126	114
Implied Portfolio Amortization	179	162
Total Cash Collection	**306**	**276**
Portfolio Origination	(364)	(245)
Admin Expenses	(42)	(34)
Interest Expense	(59)	(49)
Est. FCF	**(160)**	**(51)**
Total Debt (incl. PERP)	2,715	2,490
Final Cash	114	20
Net Debt	**2,601**	**2,470**
Net Debt / Net Loans	**105%**	**108%**
Net Debt (incl. hedges) / Net Loans	**102%**	**96%**
Est. FCF	(160)	
Debt (neutral FX)	(117)	
WK (incl. derivative inflows)	122	
Est. Total FCF	**(155)**	
Net Debt Difference vs 2Q20	**155**	

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DISCLOSURE APPENDIX

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"Market Outperform" – The bond's total return is expected to exceed the total return of the J.P. Morgan Corporate Emerging Markets Bond Index series ("CEMBI") Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Perform" – The bond's total return is expected to be in line with the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's total return relative to the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

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“Market Weight” – The spread of the bond to its similarly duration sovereign controller bond is expected to remain unchanged over the next 3 – 6 months.

“Market Underweight” – The spread of the bond to its similarly duration sovereign controller bond is expected to increase over the next 3 – 6 months.

“Not Rated” or no comment – Currently, the analyst does not have adequate conviction about the bond’s spread to its similarly duration sovereign controller bond over the next 3 – 6 months.

High Octane Universe
“Speculative Buy” – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the upside

“Positive” – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the upside

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