



BCP SECURITIES

2022 BCP RESEARCH BEST IDEAS

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2022 BCP BEST IDEAS EXECUTIVE SUMMARY



Within our Global Emerging Markets coverage, we segregate issuers into five distinct universes and track our portfolio performances versus the appropriate benchmark. The Sovereign universe is comprised of credits with explicit sovereign guarantees. The Quasi-Sovereigns are either Government owned or Government controlled credits. We base our analysis on the spread to sovereign for each issuer, which allows us to focus on the corporate risk and linkage to the sovereign. Therefore, investors can view the instruments relative to the sovereign based on their opinion of the sovereign. The Top Picks universe are performing Emerging Market corporates, usually with below Investment Grade credit ratings that are trading around 80c and higher. We rate the portfolio performance versus the ICE BofA Emerging Markets High Yield Bond Index ('EMLH Index'). The High-Octane universe is made up stressed and distressed credits we follow trading under 80c. This framework allows us to keep track of credit stories trading across the entire price range. The High-Octane is a unique product with select deep dives and equity-like returns, as such we rate the performance versus the Emerging Market Equity Index. The Converts universe are credits with convertible bonds outstanding and are not necessarily constrained to Emerging Markets. The analysis is based on the straight bond aspect and the valuation of the underlying equity and imbedded bond options.

Under our "BCP Best Ideas" we are merging the five universes into a single quarterly report. We will be presenting our top five to seven ideas for each universe by alphabetical order, each with supporting slides for the investment thesis. We will continue to define an "Extended Portfolio" for each universe to be disclosed within this report. We will continue to track each portfolio versus the corresponding benchmark.

Finally, within this document we will be including a list of attractive credits by geography that vary in credit ratings, pricing and yields. These credits might not fit our traditional portfolios but could be better suited for investors depending on their mandates. It is important to highlight that each name mentioned in this report has been analyzed by our team and we are able to provide further detail on each investment case upon request. The latter is highly encouraged, as we welcome investor dialogue.

2022 BCP BEST IDEAS



	NAME	TICKER	MATURITY	COUPON	POSITION	RATINGS (M/SP/F)	MID PRICE	MID YTW
SOVEREIGNS	BRAZIL	BRAZIL	2031	3.75%	Long	- / BB- / BB-	88.25	5.36%
	COSTA RICA	COSTAR	2044	7.00%	Long	B2 / BB / BB	99.00	7.09%
	ECUADOR	ECUASO	2035	0.00%	Long	B- / B- / B-	81.25	8.31%
	EL SALVADOR	ELSALV	Curve	-	Short	Caa1 / B- / CCC	-	-
	HONDURAS	HONDUR	2030	5.63%	Short	B2 / B- / -	91.00	7.09%
	PARAGUAY	PARGUY	2031	4.95%	Long	Ba1 / BB / BB+	102.50	4.57%
QUASI - SOVS	BNDES	BNDES	2024	4.75%	Overweight	Ba2 / BB- / BB-	102.90	3.27%
	CNOOC GROUP	CNOOC	2033	5.50%	Overweight	A1 / A+ / A+	102.96	5.15%
	PETROLEOS MEXICANOS	PEMEX	2026	6.88%	Overweight	Baa3 / BBB / BB-	101.88	6.36%
TOP PICKS	AEROPUERTOS ARGENT 2000	AEROAR	2031	8.50%	Outperform	Caa3/ CCC+/-	82.50	12.23%
	BRF SA	BRFSBZ	2050	5.75%	Underperform	Ba2/ -/ BB	84.95	6.97%
	CAR INC	CARINC	2024	9.75%	Outperform	B3/ B- / -	88.81	16.85%
	MX REMIT FUND FIDUC EST	EKT	2028	4.88%	Outperform	- / - / BB+	85.00	10.37%
	FIDELITY BANK PLC	FIDBAN	2026	7.63%	Outperform	B2/ B- / B-	96.62	8.82%
	SIXSIGMA NETWORKS MEXICO	KIONET	2025	7.50%	Outperform	B2/ B/ -	97.50	8.45%
	KOSMOS ENERGY LTD	KOS	2028	7.50%	Outperform	B3u/ B+/ B+	97.50	8.04%
	MEDCO BELL PTE LTD	MEDCIJ	2027	6.38%	Outperform	B1/ B+/ B+	95.06	7.62%
	MOVIDA EUROPE SA	MOVIBZ	2031	5.25%	Outperform	- / BB- / BB-	87.55	7.18%
	PEGASUS HAVA TASIMACILIG	PGSUST	2026	9.25%	Outperform	- / B/ BB-	100.25	9.15%
HIGH OCTANE	VEDANTA RESOURCES LTD	VEDLN	2023	7.13%	Outperform	B3/ B- / WD	94.00	13.11%
	CHINA FORTUNE HOLDINGS	CHFOTN	2021	9.00%	Positive	- / - / WD	15.00	-
	PROVINCIA DEL CHUBUT	CHUBUT	2030	7.75%	Positive	Ca/ - / CC	82.00	14.72%
	HILONG HOLDING LTD	HILOHO	2024	9.75%	Positive	- / - / -	60.00	34.37%
	KERNEL HOLDING SA	KERPW	2027	6.75%	Positive	- / CC/ CCC	53.50	21.57%
	METINVEST BV	METINV	2029	7.75%	Positive	- / NR/ CCC	51.00	21.02%
CONVERTS	UKRAINE GDP WARRANTS	UKRAIN	2040	FLOAT	Positive	- / B- / -	28.00	-
	BILIBILI	BILI	2026	0.50%	Positive	- / - / -	71.41	14.00%
	LITHIUM AMERICAS	LACCN	2027	1.75%	Positive	- / - / -	102.25	1.26%



RATING CHANGES IN THIS EDITION



	NAME	TICKER	MATURITY	COUPON	BCP RATING CHANGE
SOVEREIGNS	BRAZIL	BRAZIL	2031	3.75%	Upgrade to Long
	COSTA RICA	COSTAR	2044	7.00%	Upgrade to Long
	PARAGUAY	PARGUY	2031	4.95%	Upgrade to Long
	UKRAINE		GDP WARRANTS		Upgrade to Long
	BRAZIL, URUGUAY, COLOMBIA	BRL/UYU/COP	LOCAL CURRENCY		Upgrade to Long
	BRAZIL	BRAZIL	2050	4.75%	Upgrade to Neutral
	COLOMBIA	COLOM	2051	4.13%	Upgrade to Neutral
	CHILE	CLP	LOCAL CURRENCY		Downgrade to Neutral
	NIGERIA	NGERIA	2028	6.13%	Downgrade to Neutral
	HONDURAS	HONDUR	2030	5.63%	Downgrade to Short
QUASI - SOVS	BNDES BRAZIL	BNDES	2024	4.75%	Upgrade to Market Overweight
	EMPRESA NACIONAL DEL PETROLEO	ENAP	2026	3.75%	Downgrade to Market Weight
	CENTRAIS ELETRICAS BRASIL	ELEBRA	2025	3.63%	Downgrade to Market Weight
	VAKIF BANK	VAKBN	2026	6.5%	Downgrade to Market Weight
TOP PICKS	MOVIDA	MOVIBZ	2031	5.25%	Upgrade to Market Outperform
	KOSMOS	KOS	2028	7.50%	Upgrade to Market Outperform
	PEGASUS AIRLINES	PGSUST	2026	9.25%	Upgrade to Market Outperform
	AA2000	AEROAR	2031	8.50%	Upgrade to Market Outperform
	FIDELITY BANK	FIDBAN	2026	7.63%	Upgrade to Market Outperform
	MEDCO ENERGI	MEDCIJ	2027	6.38%	Upgrade to Market Outperform
	ANTON OILFIELD	ANTOIL	2025	8.75%	Upgrade to Market Outperform
	SIXSIGMA NETWORKS	KIONET	2025	7.50%	Upgrade to Market Outperform
	ALSEA	ALSEA	2026	7.75%	Downgrade to Market Perform
	DTEK O&G	DTEKOG	2026	6.75%	Downgrade to Market Perform
	FS BIO	FSBIOE	2025	10.00%	Downgrade to Market Perform
	GRAN TIERRA ENERGY	GTE	2025	6.25%	Downgrade to Market Perform
	UNIGEL	UNIGEL	2026	8.75%	Downgrade to Market Perform
	BRASKEM IDESA	BAKIDE	2029	7.45%	Downgrade to Market Perform
	BR FOODS	BRF	2050	5.75%	Downgrade to Market Underperform
HIGH OCTANE	KERNEL	KERPW	2027	5.75%	Upgrade to Positive
	METINVEST	METINV	2029	7.75%	Moved from Top Picks to High Octane
	DOCUFORMAS	DOCUFO	2024	10.25%	Moved from Top Picks to High Octane
	PT. PAN BROTHERS	PBRXIJ	2025	7.63%	Downgrade to Neutral
	AEROMEXICO	AERMEX	2025	0.00%	Upgrade to Neutral
	SHELF DRILL HOLD	SHLFDI	2025	8.25%	Upgrade to Neutral
CONVERTS	BILIBILI	BILI	2026	0.50%	Upgrade to Positive
	LITHIUM AMERICAS	LACCN	2027	1.75%	Upgrade to Positive
	21VIANET GROUP INC	VNET	2026	0.00%	Downgrade to Neutral

SOVEREIGNS

LONG

LOCAL CURRENCY

BRL, UYU and COP

BRAZIL

BRAZIL 3.75% 31s

COSTA RICA

COSTAR 7% 44s

ECUADOR

ECUA 1.00% 35s

ECUASO 0.00% 35s

PARAGUAY

PARGUY 4.9% 31s

UKRAINE

GDP WARRANTS

SHORT

HONDURAS

HONDUR 5.625% 30s

EL SALVADOR

ELSALV CURVE



QUASI-SOVEREIGNS

OVERWEIGHT

BRAZIL

BNDES 4.75% 24s

CHINA

CNOOC 5.50% 33s

MEXICO

PEMEX 6.88% 26s

TOP PICKS

OUTPERFORM

ARGENTINA

AEROAR 8.50% 31S

BRAZIL

MOVIBZ 5.25% 31s

CHINA

CARINC 9.75% 24s

INDIA

VEDLN 7.125% 23s

INDONESIA

MEDCIJ 6.38% 27s

MEXICO

EKT 4.88% 28s

KIONET 7.50% 25s

NIGERIA

FIDBAN 7.625% 26s

SUB-SAHARAN AFRICA

34

KOS 7.50% 28s

TURKEY

PGSUST 9.25% 26s

UNDERPERFORM

BRAZIL

BRFSBZ 5.75% 50s

HIGH OCTANE

POSITIVE

ARGENTINA

CHUBUT 7.75% 30s

CHINA

CHFOTN 9.00% 21s

HILOHO 9.75% 24s

UKRAINE

METINV 7.75% 29s

KERPW 6.75% 27s

CONVERTS

POSITIVE OUTRIGHT

CANADA

LACCN 1.75% 27s

CHINA

BILI 0.5% 26s

OTHER PREFERRED NAMES: ARGENTINA



YPF STEP-UP 2026 (Caa3/-/-) – 12.9% YTW – “Market Outperform”

- Strongest bond structure in the country. Bonds backed by exports collected offshore in a NY account at Citibank. Exports reached US\$1.6bn in 2021. Coupon steps up to 9% in Dec22

YPFLUZ 10.00% 2026 (Caa3/CCC+/-) – 11.8% YTW

- Deleveraging process on the way as first phase of expansion is over. Net leverage now at 2.3x with sound free cash flow generation (US\$67mm in 4Q21). 2022 guidance: US\$340mm EBITDA vs US\$160mm capex, which includes a new 100MW solar project.

BUENOS STEP UP 2037 A (Ca/CCC+/-) – 20.7% YTW

- Lowest dollar price and benchmark province. Restructured bonds, with a more confrontative process compared to peers although with terms not very different, suggesting provinces are more similar than different. Balanced fiscal account. Confrontative governor.

JUJUJA STEP-UP 2027 (-/CCC+/-) – 22.8% YTW

- Highest yielding provincial bond. Restructuring among provinces were done at similar terms, suggesting provinces are much more similar than different. Exposure to coparticipation is high though transfers are automatic, avoiding sovereign interference. Sound fiscal surplus.

RECENT RATING CHANGES: MEXICO

PEMEX 6.88% 2026 (BBB) – 6.3% YTW – maintaining as “Overweight”

- Trading very wide at 268 bps spread to sovereign, despite strong Govt. support through direct capitalizations and the Sovereign funding 2022 and 2023 debt maturities. More importantly, the Govt. continues to gradually reduce the tax burden. We see Pemex as a very cheap extension of the sovereign.

ALSEA 7.75% 2026 (BB-) – 6.8% YTW – downgrade to “Market Perform”

- Sound bond performance trading at 103c. Revenue rebounded with EBITDA margins expanding above pre-pandemic levels. Issuer guided for an EBITDA growth above 20% in 2022. Recent bond issuances addressed the large ST debt maturities, significantly improving the maturity profile.

BAKIDE 7.45% 2029 (BB-) – 7.7% YTW – downgrade to “Market Perform”

- The major Pemex risks materialized, which resulted in new supply contracts and 4Q21 run-rate improved to 81%. The continued strength in PE pricing, plus the new import terminal will continue to generate strong FCF. We see the issuer deleveraging below 3.0x, incl. dividend outflows.

DOCUFO 10.25% 2024 (B+) – 33.1% YTW – moving to “Positive” on High Octane

- Nearly US\$300 mm in available warehousing credit lines, the sole non-bank financial that is fully funded for the foreseeable future. No accrued interest on balance sheet, very stable net debt and FCF, healthy net debt to loans at 85%. Poor IR communications on recent corporate merger.

FINDEP 8.00% 2024 (BB-) – 23.2% YTW – maintaining “Positive”

- Lowest net debt to loans ratio at 66%, strongest tangible equity metrics. Management focused on collections, generated FCF, divested non-core portfolios and repurchased debt at discount. Strong US loan growth driving earnings, targeting 50% of loan portfolio. Small issue size could limit availability.

TZA 8.25% 2024 (C) – maintaining “Positive” at 64c

- Upgraded at 48c. Consistently beating our conservative estimates. Strong FCF generation and liquidity, sufficient to meet potential CEBURE maturity. A 6.0x EV multiple implies coverage above par, with double-digit IRRs. We highlight the on-going restructuring is the major risk to our thesis.

OTHER PREFERRED NAMES: MEXICO



GCC 3.62% 2032 (BBB-) – 4.8% YTW

- Strong FCF, 78% of EBITDA generated in the US and benefits from oil-well drilling. EBITDA margins are among the industry best, even when compared to US peers. Recently refinanced its capital structure, significantly extending relevant maturities to 2032. Has negative net debt.

KUOBMM 5.75% 2027 (BB-) – 5.9% YTW

- Mexican conglomerate with consumer (pork meat & Herdez), petrochemical and automotive divisions. Sound consumer recovery after the pork meat fire, coupled with automotive transmissions ramp-up. LTM net leverage under 2.0x with strong liquidity plus large available committed bank lines.

CYDSA – 6.25% 2027 (BB) – 6.9% YTW

- Mexican salt, chlorine-caustic chemicals producer with an LPG storage business. Revenue and EBITDA growth driven by positive trends in chlorine products pricing. FCF burn driven by capex building a new plant, increasing net leverage to 2.6x at restricted group.

POSADA – Step-Up 2027 (B-) – 12.1% YTW

- Upgraded at 39c, went neutral at 80c. Emerged from pre-pack Chapter 11, with 4Q21 occupancies increasing to 59%. The new bond is secured by the hotel collateral assets, which we see the value above par. No need for further capital as the issuer currently has US\$95 mm in cash.

OTHER PREFERRED NAMES: BRAZIL

FSBIO 10.00% 2025 (B1/-/BB-) – 8.5% YTW

- Brazil based corn ethanol producer. Low cost structure vs peers with animal nutrition working really well as a natural hedge to corn cost. Strong cash generation at current levels on a 1.1x (LQA) leverage structure. We see leverage peaking at manageable 2.3x amid current expansion plan. 10% coupon carry on a low coupon environment post refinancings through 2021.

HIDRVS 4.95% 2031 (BB) – 8.0% YTW

- Unique structure and well positioned in an underserved market. Strong and proven contractual framework, mainly settled through take-or-pay terms. Despite weaker than expected results for the year, given a combination of external factors, consolidation of new operations ramping up should translate into a improved 2022. Decent liquidity, solid shareholders and extended maturity profile.

AEGEA 5.75% 2024 (BB) – 5.0% YTW

- Strong shareholders. Leading and consolidating the underpenetrated private sanitation segment in Brazil. Capex and expansion has historically translated into EBITDA with the successful turnaround of new concessions. Strong cash position and manageable leverage at the ~2.5x level.

ITAU 6.125% PERP (B+) – 8.6% YTC

- Blue chip solid bank name in Brazil. Technical call. Current Perp trades below call for the end of the year where coupon will increase to a float rate (UST 5Y + 398bps) **that's** above current coupon level. We think it is very likely Itau call its Perps at par offering a interesting short-term pickup.

BRFSBZ 5.75% 2050 (BB) – 6.8% YTW (SHORT)

- Rising costs amid inflationary pressures and increase in commodity pricing should continue to pressure margins. That coupled to weakened consumer trends and Asian supply recovery should limit operations for the year. Additionally, we think the longer dated coupon bond is more susceptible to the mentioned mid-term weakness.

OTHER PREFERRED NAMES: BRAZIL

GOLLBZ 8.00% 2026 (B2/-/-) – 10.98% YTW

- Brazilian domestic airline carrier. Despite unwelcomed fuel cost pressures on an unhedged balance sheet we think the solid demand recovery and positive yield management, also favored by the recent BRL appreciation, are enough to sustain pre-pandemic margins. We think 11% YTM looks excessive for the secured GOLLBZ 26s.

OTHER PREFERRED NAMES: LATAM

GTE 6.25% 2025 (-/B-/B-) – 9.1% YTW

- Colombian independent oil and gas player. We estimate the breakeven at US\$42/bbl. 4Q21 production continued the recovery trend and current oil prices should provide a strong tailwind for further deleveraging. Trades at a decent spread to closest peers.

FECCN 7.875% 2028 (-/B+/B) – 9.3% YTW

- Colombian independent oil and gas player. We estimate the breakeven at US\$53/bbl, higher than closest peers as it sells at a higher realized price. Lowest leverage in our universe at 0.5x. Proven reserves are low but have been stable over the past years. Additional upside from Guyana if finally successful.

PERLNG 5.375% 2030 (B3/-/B+) – 8.33% YTW

- Peruvian LNG producer. Results are benefiting from the current LNG pricing environment, which is expected to remain favorable in the short-term due to the higher global LNG demand for energy generation, along with lower LNG inventories and worsening supply issues in Europe with the Russia-Ukraine war. Therefore, we expect a strong set of results for FY2022 that should further deleverage the company to ~1.5x net leverage.

OTHER PREFERRED NAMES: TURKEY

PETKM 5.875% 2023 (B2/-/B+) – 5.2% YTW

- Sole petrochemical refiner in the country, competing against imports, which allow to pass-through the higher Brent and the lira depreciation. LOA net leverage reached 1.0x in 4Q21 given the strong petrochemical prices. Ultimately owned by Azerbaijan.

OTHER PREFERRED NAMES: ASIA-EX CHINA

KIJAIJ 6.5% 2023 (-/B-/B-) – 18.5% YTW

- Property developer engaged in townships developments. In 3Q21 revenue increased 13% while reported EBITDA decreased 5% q/q. Free Cash Flow turned negative at US\$4mm, resulting in a 2% q/q net debt increase. LTM net leverage increased to 6.4x. Total Funded Liabilities / Land Bank remained flat q/q at 54%. Liquidity remains solid with barely no STD.

LMRTSP 7.25% 2024 (B1/-/B+) – 7.4% YTW

- Singapore listed REIT with mall assets in Indonesia. Relaxation of restrictions is leading to significant improvements in revenue and EBITDA, having achieved 73% and 62% of pre-covid levels in 4Q21, respectively. LTM net leverage is elevated at 8.2x, but fair value of investment properties doubles the net debt.

SHTFIN 4.15% 2025 (-/BB-/BB) – 5.7% YTW

- India's listed non-bank financial company (NBFC) focused on the financing of used commercial vehicles. The bonds are secured by a fixed charge over specified accounts receivable, in line with most of its other debt. Net debt to net loans is at 80%, higher than local peers though lower than Latam ones. NPLs are high though collection of loans has been solid over the past years, as most of the portfolio is secured. Liquidity appears sufficient to face near term maturities



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MEANINGS OF RATINGS

Top Picks Universe

"Market Outperform" – The bond's total return is expected to exceed the total return of the ICE BofA Emerging Markets High Yield Bond Index ('EMLH 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 EMLH Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the EMLH 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 EMLH Index over the next 3 – 6 months.

DISCLAIMER (CONTINUED)

Quasi Sovereign Universe

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

“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

“Neutral” – Bonds that in our view have an equity investment risk profile and we think risk/return is balanced

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

“Speculative Sell” – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the downside

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DISCLAIMER (CONTINUED)

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