



BCP SECURITIES

# 4Q22 BCP RESEARCH BEST IDEAS

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## 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 of 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 in 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.

# 4Q22 BCP BEST IDEAS



	NAME	TICKER	MATURITY	COUPON	POSITION	RATINGS (M/SP/F)	MID PRICE	MID YTW
<b>SOVEREIGNS</b>	REPUBLIC OF ECUADOR	ECUA	2030	5.50%	Long	-/B-/B-	48.25	24.19%
	REPUBLIC OF COLOMBIA	COLOM	2044	5.63%	Long	Baa2/BB+/BB+	63.75	9.67%
	REPUBLIC OF CHILE	CHILE	2061	3.10%	Long	A2/A/A-	64.75	5.24%
	UNITED MEXICAN STATES	MEX	2046	4.60%	Long	Baa2/BBB/BBB-	71.70	7.10%
	FED REPUBLIC OF BRAZIL	BRAZIL	2041	5.63%	Long	Ba2/BB-/BB-	78.68	7.84%
	REPUBLIC OF PANA	PANAMA	2031	3.36%	Short	-/BBB/BBB-	86.07	5.39%
<b>QUASI – SOVS</b>	CNOOC FINANCE 2003 LTD	CNOOC	2033	5.50%	Overweight	A1/A+/A+	94.09	6.27%
	PETROLEOS MEXICANOS	PEMEX	2026	6.88%	Overweight	B1/BBB/BB-u	90.67	9.88%
	TURK TELEKOMUNIKASYON AS	TURKTI	2025	6.88%	Overweight	-/B/B	87.25	13.36%
<b>TOP PICKS</b>	CANACOL ENERGY LTD	CNECN	2028	5.75%	Outperform	Ba3/BB-/BB	75.25	11.51%
	CAP SA	BCAPS	2031	3.90%	Outperform	-/BB+/BBB-	71.00	8.82%
	HELLO GROUP INC	MOMO	2025	1.25%	Outperform	-/-/-	93.13	11.84%
	MC BRAZIL DWNSTRM	MCBRAC	2031	7.25%	Outperform	Ba3/-/BB-	75.00	12.56%
	MEDCO BELL PTE LTD	MEDCIJ	2027	6.38%	Outperform	B1/B+/B+	81.30	12.10%
	METALSA SA DE CV	METLSA	2031	3.75%	Outperform	-/BB+/BBB-	67.22	9.42%
	PINDUODUO INC	PDD	2025	0.00%	Outperform	-/-/-	90.56	9.13%
	PT PAKUWON JATI	PWONIJ	2028	4.88%	Outperform	Ba2/BB/BB	81.10	9.33%
	STILLWATER MINING CO	SGLSJ	2026	4.00%	Outperform	-/BB/BB	81.50	8.82%
SILKNET JSC	SILNET	2027	8.38%	Outperform	B1/-/B	93.06	10.42%	



# 4Q22 BCP BEST IDEAS



	NAME	TICKER	MATURITY	COUPON	POSITION	RATINGS (M/SP/F)	MID PRICE	MID YTW
HIGH OCTANE	AXTEL SAB DE CV	AXTEL	2024	6.38%	Positive	B1 *-/BB-/BB	65.0	30.41%
	GOL FINANCE SA	GOLLBZ	2026	8.00%	Positive	B2/-/-	61.50	24.38%
	JABABEKA INTERNATIONAL	KIJAIJ	2023	6.50%	Positive	-/ CCC/ CC	55.93	82.17%
	LMIRT CAPITAL PTE LTD	LMRTSP	2024	7.25%	Positive	B2/ -/ B	59.00	44.96%
	GRUPO POSADAS SAB CV	POSADA	2027	4.00%	Positive	-/-/-	72.50	14.65%
	VNET GROUP INC	VNET	2026	0.00%	Positive	-/-/-	84.50	13.62%
	VF UKRAINE (VFU FUNDING)	VODUKR	2025	6.20%	Positive	-/CCC+/CCC	55.00	36.75%
	WYNN MACAU LTD	WYNMAC	2028	5.63%	Positive	B2/B+/-	64.32	15.00%
	NATURA COSMETICOS SA	NATURA	2028	4.13%	Negative	Ba2/BB/BB	79.00	9.03%
	ODEBRECHT DRILL VIII/IX	ODEBRE	2026	7.35%	Negative	-/-/-	56.03	22.53%



# RATING CHANGES IN THIS EDITION



	NAME	TICKER	MATURITY	COUPON	BCP RATING CHANGE
<b>SOVEREIGNS</b>	BRAZIL	BRAZIL	2041	5.63%	<b>Upgrade to Long</b>
	CHILE	CHILE	2061	3.10%	<b>Upgrade to Long</b>
	COLOMBIA	COLOM	2044	5.63%	<b>Upgrade to Long</b>
	ECUADOR	ECUA	2030	5.50%	<b>Upgrade to Long</b>
	MEXICO	MEX	2046	4.60%	<b>Upgrade to Long</b>
	BAHAMAS	BAHAMA	CURVE		<b>Upgrade to Neutral</b>
	ARGENTINA	ARGENT	2030	0.50%	<b>Downgrade to Neutral</b>
	ARGENTINA	ARGENT	2038	3.87%	<b>Downgrade to Neutral</b>
	COLOMBIA	COLOM	2031	3.12%	<b>Downgrade to Neutral</b>
	ECUADOR	ECUA	2035	0.00%	<b>Downgrade to Neutral</b>
	UKRAINE	GDP WARRANTS	2040	FLOAT	<b>Downgrade to Neutral</b>
	MEX, URU, BZ	MUDI, URUGUA, BNTNB	FLOATERS		<b>Downgrade to Neutral</b>
	PANAMA	PANAMA	2031	3.36%	<b>Downgrade to Short</b>
<b>QUASI - SOVS</b>	TURK TELEKOMUNIKASYON	TURKTI	2025	6.88%	<b>Upgrade to Market Overweight</b>
	BANCO NACIONAL DE DESEN ECONO	BNDES	2024	4.75%	<b>Downgrade to Market Weight</b>
	PETROBRAS	PETBRA	2028	6.00%	<b>Upgrade to Market Weight</b>
<b>TOP PICKS</b>	ALSEA	ALSEA	2026	7.75%	<b>Downgrade to Market Outperform</b>
	CAP SA	BCAPS	2031	4.00%	<b>Upgrade to Market Outperform</b>
	CANACOL ENERGY LTD	CNECN	2028	5.75%	<b>Upgrade to Market Outperform</b>
	CIA SIDERURGICA NACIONAL	CSNABZ	2028	6.75%	<b>Upgrade to Market Outperform</b>
	MC BRAZIL DWNSTRM	MCBRAC	2031	7.25%	<b>Upgrade to Market Outperform</b>
	MEDCO BELL PTE LTD	MEDCIJ	2027	6.38%	<b>Upgrade to Market Outperform</b>
	METALSA SA DE CV	METLSA	2031	3.75%	<b>Upgrade to Market Outperform</b>
	STILLWATER MINING CO	SGLSJ	2026	4.00%	<b>Upgrade to Market Outperform</b>
	SILKNET JSC	SILNET	2027	8.38%	<b>Upgrade to Market Outperform</b>

# RATING CHANGES IN THIS EDITION



	NAME	TICKER	MATURITY	COUPON	BCP RATING CHANGE
<b>TOP PICKS (cont.)</b>	HELLO GROUP INC	MOMO	2025	1.25%	<b>Moved from HO to TP</b>
	GRUPO TELEVISIA	TELVIS	2025	6.63%	<b>Upgrade to Market Perform</b>
	ALSEA	ALSEA	2026	7.75%	<b>Downgrade to Market Perform</b>
	AMERICA MOVIL	AMXLMM	2029	3.63%	<b>Downgrade to Market Perform</b>
	AVIA SOLUTIONS	AVIASG	2024	7.88%	<b>Downgrade to Market Perform</b>
	KOSMOS ENERGY LTD	KOS	2028	7.50%	<b>Downgrade to Market Perform</b>
	UNIGEL PARTICIPACOES SA	UNIGEL	2026	8.75%	<b>Downgrade to Market Perform</b>
<b>HIGH OCTANE</b>	AXTEL SAB DE CV	AXTEL	2024	6.38%	<b>Upgrade to Positive</b>
	GOL LINHAS AEREAS INTELIGENTES	GOLLBZ	2026	8.00%	<b>Upgrade to Positive</b>
	GRUPO POSADAS SAB CV	POSADA	2027	4.00%	<b>Upgrade to Positive</b>
	VNET GROUP INC	VNET	2026	0.00%	<b>Upgrade to Positive</b>
	VF UKRAINE (VFU FUNDING)	VODUKR	2025	6.20%	<b>Upgrade to Positive</b>
	WYNN MACAU LTD	WYNNMAC	2028	5.63%	<b>Upgrade to Positive</b>
	AZUL LINHAS AEREAS BRASILEIRAS	AZULBZ	2026	7.25%	<b>Upgrade to Neutral</b>
	CAR INC	CARINC	2024	9.75%	<b>Downgrade to Neutral</b>
	JAPFA LTD	JPFAIJ	2026	5.38%	<b>Downgrade to Neutral</b>
	LITHIUM AMERICAS CORP	LACCN	2027	9.00%	<b>Downgrade to Neutral</b>
	LATAM AIRLINES GROUP SA	LTMCI	2026	7.00%	<b>Downgrade to Neutral</b>
	MHP SE	MHPSA	2024	7.75%	<b>Downgrade to Neutral</b>
	NATURA COSMETICOS SA	NATURA	2028	4.13%	<b>Downgrade to Negative</b>
ODEBRECHT DRILL VIII/IX	ODEBRE	2026	7.35%	<b>Downgrade to Negative</b>	

# SOVEREIGNS

## LONG

### BRAZIL

BRAZIL 5.63% 41s

### MEXICO

MEX 4.60% 46s

### CHILE

CHILE 3.10% 61s

### COLOMBIA

COLOM 5.63% 44s

### ECUADOR

ECUA 5.50% 30s

## SHORT

### PANAMA

PANAMA 3.16% 31s

# QUASI-SOVEREIGNS

## OVERWEIGHT

### CHINA

CNOOC 5.50% 33s

### MEXICO

PEMEX 6.88% 26s

### TURKEY

TURKTI 6.88% 25s



# TOP PICKS

## OUTPERFORM

### BRAZIL

MCBRAC 7.25% 31s

### CHILE

BCAPS 3.90% 31s

### COLOMBIA

CNECN 5.75% 28s

### CHINA

PDD 0.00% 25s

MOMO 1.25% 25s

### GEORGIA

SILNET 8.38% 27s

### INDONESIA

PWONU 4.88% 28s

MEDCU 6.38% 27s

### MEXICO

METALSA 3.75% 31s

### SOUTH AFRICA

SGLSJ 4.00% 26s

# HIGH OCTANE

## POSITIVE

### BRAZIL

GOLLBZ 8.00% 26s

### CHINA

WYNIMAC 5.63%% 28s

VNET 0.00%% 26s

### INDONESIA

KJIAU 6.50% 23s

LMIRTSP 7.25% 24s

### MEXICO

AXTEL 6.38% 24s

POSADA 4.00% 27s

### UKRAINE

VODUKR 6.2% 25s

## NEGATIVE

### BRAZIL

NATURA 4.13% 28s

ODEBRE 7.72% 26s

# OTHER PREFERRED NAMES: ARGENTINA

## YPF STEP-UP 2026 (Caa3/-/-) – 19.1% YTW – “Positive” under High Octane

- Strongest bond structure in the country. Bonds backed by exports collected offshore in a NY account at Citibank and the company’s 50% stake in YPF Luz. Exports reached US\$2.0bn in LTM2Q22. Coupon steps up to 9% in Dec22.

## AEROAR 8.5% 2031 (Caa3/CCC+/-) – 15.3% YTW

- Bonds secured by commercial tariffs, a portion of which are collected offshore. Recovering traffic levels with restrictions fully lifted. International traffic 30% below pre-covid. 1.9x LQA net leverage in 2Q22. Strong shareholder and one of the lowest yielding bonds in the country before covid. Nearly US\$210mm in cash.

## CHUBUT STEP-UP 2030 (Caa3/CCC+/-) – 18.0% YTW

- Bonds backed by royalties collected onshore and in ARS. We estimate a minimum 1.7x coverage at current production and local oil and gas prices. The structure survived the whole restructuring saga in the country, having been refinanced with no NPV haircuts. High fiscal deficit.

# OTHER PREFERRED NAMES: BRAZIL

## **AEGEA 6.75% 2029 (BB) – 8.6% YTW**

- Strong shareholders. Leading and consolidating the underpenetrated private sanitation segment in Brazil. Solid and proven execution with expansion historically translating into EBITDA. Access to local and offshore market financing even amid current stressed environment. Strong cash position and manageable and stable leverage at ~3.0x levels

## **MOVIBZ 5.25% 2031 (BB-) – 10.0% YTW**

- Accelerated fleet growth has translated into EBITDA. Business has proven to be resilient amid COVID19 and shown ability to deleveraged through weakened demand. Liquid asset base covering net indebtedness. Cash burn has been driven by high growth capex (fleet investment), but leverage has remained stable at ~3.0x on EBITDA related growth

## **TUPY 4.50% 2031 (-/BB/BB) – 8.5% YTW**

- Brazilian auto-parts producer. Recurrent positive FCF through different cycles, low leverage. IG credit metrics trading like a double B. Deleveraged capital structure, while recent acquisition increased product and geographical diversification which we view as positive.

## **UNIGEL 8.75% 2026 (BB-/B+) – 9.9% YTW**

- Trading cheap to BZ “BB” curve. Sound styrene and polystyrene spreads. Strong EBITDA ramp-up from the Agro, benefited by fertilizers pricing and spreads amid the Russia and Ukraine war. LQA net leverage at 1.3x. Sound liquidity with no relevant maturities up to the 2026 bond. Under 2.0x net leverage target even amid expansion projects.

# OTHER PREFERRED NAMES: TMT

## CWCLN 5.75% 2027 (BB-) – 9.25% YTM

- After AMX Panama acquisition, Panama became a 3-player market with C&W gaining majority market share. Solid EBITDA margin at 41%, with solid FCF generation. Strong liquidity with US\$792 mm available in credit lines and their next relevant maturity being the US\$495 mm CWCLN 5.75% 27s.

## LILAK 2.0% 2024 – 9.45% YTC

- Well positioned with positive LTM FCF and strong liquidity with cash at US\$1.1 bn, comfortable to meet the US\$403 mm LILAK 24s convert maturity, which are the front of the issuer’s amortization schedule. 70% of total cash was held at C&W. We highlight C&W flexibility to upstream cash.

# OTHER PREFERRED NAMES: MEXICO

## ALSEA 7.75% 2026 (BB-) – 9.84% YTM– downgrade to “Market Perform”

- Solid bond performance trading at 93c. Alsea bank accounts were unfrozen by Mexico’s tax office with no impact in operations. Issuer on track to meet guided +20% FY22 EBITDA growth guidance. Bond issuances addressed the large ST debt maturities, significantly improving the maturity profile.

## GAXO 5.75% 2026 (BB) – 13.37% YTM

- Solid revenue growth with EBITDA margin expanding to 21%. GAXO has strong liquidity with cash standing at US\$154 mm and no relevant maturities until 2026. 2Q22 LQA net leverage was 1.9x. We see GAXO trading cheap at 851 bps Z-spread. +332 bps vs Mexico BBs and at +365 bps vs Natura.

## GCC 3.62% 2032 (BBB-) – 6.57% YTM

- Strong FCF, 78% of EBITDA generated in the US and benefits from oil-well drilling. Revenue growth partially offset by higher production costs. Yet, the issuer expects 10% EBITDA growth and maintain negative net debt in FY22. Total debt is entirely comprised by notes due in 2032 and leases.

## KUOBMM 5.75% 2027 (BB) – 8.39% YTM

- Sound consumer recovery after the pork meat fire, coupled with automotive sales ramp-up. LTM net leverage at 1.8x with strong liquidity plus large available committed bank lines and no relevant maturities until 2027.

# OTHER PREFERRED NAMES: ASIA-EX CHINA

## IIFON 5.875% 2023 (B2/--/B+) – 11.32% YTM

- Indian-listed with retail-focused NBFC. NIM stood solid at 7.5% compared to an average of 6.5% over the past years. Improved on our key financial metric i.e., Net debt / net loan portfolio, reduced LQA provisioning, and adequate liquidity which we view as positive catalysts.

## SHTFIN 4.15% 2025 (--/BB-/BB) – 9.34% YTM

- Indian-listed with commercial vehicles focused NBFC reported relatively stable 1Q23 earnings. The overall loan portfolio is primarily driven by used vehicle loans with an average portfolio yield of 16%. Collection efficiency remained solid at 101% pursuant to the moratorium period set in 2020. The current liquidity buffer appears adequate to repay its ST debt payment.

# OTHER PREFERRED NAMES: CHINA

## CNOOC 5.5% 33s – 5.15%, 87bps Spread to Sov – maintain “Market Overweight” on Quasi-sovs

- The third largest national oil company in China after CNPC and Sinopec, and the largest China offshore oil & gas producer. Strong cash balance and low leverage. Traditional energy like oil still has strong demand in China. Oil price is still in high position. Revenue and EBITDA both increased largely by 40% y/y and 63% y/y in 1H22. The company faces possible sanction and some offshore business exit.

## BILI 0.5% 26s – 24.61% YTW – maintain “Positive” on High Octane

- A leading video sharing platform in China. Popular brand, loyal users, diversified revenues from four sectors. The company has been burning FCF, but its liquidity is enough for multiple years. Remain as "busted convert" for even if BILI stock price returns to 5x EV/revenue. Attractive 19% yield. Put option in 2024. Dual primary in HKEX finished in early October.

## CARINC 9.75% 24s – 24.45% YTM

- The largest car rental company in China. Strong demand in the industry. Has been performing well through pandemic periods, thanks to fully diversified business. Book value of its fleet was 1.0x of gross debt and 1.2x of net debt in 2Q22. The company expects a positive net income in 2H22 and 2023.

## ANTOIL 8.75% 2025 (B1/-/-) – 40.23% YTW

- A main player in Chinese oil and gas service and products. New orders increased by 29% h/h to US\$190mm, order backlog increased by 1% h/h to US\$1.3bn in 1H22. Revenue, EBITDA, and FCF all increased vs. 1H21. Total cash was US\$249mm, and unrestricted cash was 97% of 22s outstanding. Gross and net leverage were 2.5x and 1.1, respectively.

# OTHER PREFERRED NAMES: TURKEY

## CCOLAT 4.5% 2029 (-/BB+/BBB-) – 8.9% YTW

- Split rated Turkish Coca-Cola bottler with 30 production plants in 11 countries. Market leader in volumes terms in several EMEA countries Turkey only accounts for 37% of consolidated revenue, Pakistan, Kazakhstan and Uzbekistan explained the remaining revenue generation. Strong EBITDA and efficient working capital management. 1.0x net leverage. US\$663mm cash position, enough to cover US\$335mm in short term debt

## SISSETI 6.95% 2026 (B3/-/B) – 9.5% YTW

- Turkish glass manufacturer, 66% owned by Isbank. Sales in Turkey represented 40% of total during 2Q22, with the remaining being diversified among Russia, Ukraine & Georgia, Europe and the US. 1.2x LTM net leverage. US\$927mm cash position vs US\$1065mm in short term debt. Trading around 60bps inside the sovereign

# OTHER PREFERRED NAMES: LATAM

## PERLNG 5.375% 2030 (B3/-/B+) – 9.03% 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 ~1.0x net leverage.

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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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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date.

# DISCLAIMER (CONTINUED)

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