ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 3Q'20

JULY 20, 2020

Overview: The Nexus of Populism – Dr. Walter Molano, Ph.D.
EM Corporate Highlights – Corporate Research
Top Picks for 3Q20 – Corporate Research

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OUTPERFORM
UNDERPERFORM
SWAP

OVERVIEW: THE NEXUS OF POPULISM

Populism is an appeal to the lowest common denominator. It is not an ideology or a set of values or even a form of thinking. It is a mechanism to extract political support from the masses. In an era of mass communication, with channels such as Facebook and Twitter, it is an effective form of aggregating widespread support. Modern leaders throughout the developed and the developing world have used it successfully. From Putin and Trump, to Chavez and Uribe, to Duterte and Erdogan, insipid individuals have been able to rally the masses by appealing to their most basic instincts. Just as civilization becomes more complex through the advancement of technology and global competition, these individuals have been able to harvest the essential fears that scar the lowest elements of society. However, the outbreak of the Novel Coronavirus may mark an important crossroads for populism. On one hand, it may be an important focal point to rally more support for benighted ideas. On the other hand, it may be a situation which alienates the poor or provides an opportunity to demonstrate the horrendous costs of banal incompetence.

One of the dark truths of the Novel Coronavirus is that it cannot be manipulated. It strides confidently according to its own sinister dynamics. Attempts to will it away, in countries such as the United States, Mexico and Brazil, have resulted in disastrous consequences. Epidemiologists argue that President Donald Trump's slow reaction to the outbreak of the Coronavirus was the main reason why it hit the U.S. so hard. Brazil and Mexico have become the new focal points of the pandemic, after their respective leaders downplayed the impact of the disease. The fact that Donald Trump, Jair Bolsonaro and Andres Manuel Lopez Obrador are the leaders of these three countries comes as no surprise. As the most-populist leaders of the Western Hemisphere, their power rests on their supremacy over everything else. It is the natural result that occurs when a society suffers a devastating blow to its values and belief system. The U.S. had already suffered several setbacks with the loss of the Vietnam War and the impeachment of President Richard Nixon, but the economic devastation of the Financial Crisis of 2008 shattered the public's belief in its enviable economic model. Likewise, the collapse of the PRI, the political institution that defined Mexico for most of the 20th century and its inability to regain its authority, was a direct hit to the essence of the nation. Last of all, the unabashed corruption that occurred under the command of the PT evaporated Brazil's trust in democracy. Therefore, it was no surprise that into the vacuum, populist leaders appeared who ignored the existing institutions and took all power into their own hands by controlling and dictating the narrative. Some commentators believe that the Coronavirus will only strengthen their ability to dictate terms and exercise control. However, as we stated before, this is a virus that cannot be manipulated.

This is why it may mark a turning point against populism. Governments that have addressed the problem from an institutional perspective have fared well. The State of New York is a case in point. Although slow to initially react, once it began to enforce social distancing rules and impose wide-spread testing, it was able to rein in the disease and its disastrous effects. Other parts of the country chose to ignore the rules and are now paying the bitter consequences. Moreover, most populist leaders derive their political support from the poor, but they are the ones who have suffered the most, due to crowded living conditions and inadequate savings. This is another reason why populists have been loath to acknowledge the disease. Unfortunately, slums have become hotspots for the virus, and it is laying low the population. In an attempt to limit the spread, Argentine President Alberto Fernandez was forced to use his security forces to cut off one of the poorest slums in the Province of Buenos Aires. Not only does this add to the sense of desperation for the inhabitants, it reignites images of the ghettoes of World War II. The irony here is that these are the very people that six months ago swept President Fernandez into power, and there will be a day of reckoning in the elections ahead. Yet, the rise of populism should come as no surprise. They were predicted by two of the leading philosophers of the 20th century, Leo Strauss and Hannah Arendt. The demise of the value system brought by the Enlightenment and the rise of Liberalism created a void that could be easily filled by opportunistic charlatans. This was made worse by the advent of the democrAtic system that allowed rule by the masses, a political system that was utterly despised by Plato. The hope here is that the success of institutionally-minded leaders in combating the disease will restore the public's confidence in government, and deafen the siren's call of populism.

Dr. Walter Molano, Ph.D.
June 1, 2020

EM HIGHLIGHTS 2Q'20

Argentina

- According to the INDEC, 1Q20 GDP contracted 5.4% y/y and 4.8% q/q
- Latest inflation data as of May showed price increased 43% y/y and 1.5% m/m
- The Argentine lockdown initially imposed on March 17th to respond to covid-19 pandemic has remained as one of the longest in the world. While some parts of the country have opened resumed activities, the densest regions remained on full lockdown, now in place until July 17th
- In April, the national government presented its first restructuring offer for the external debt, offering on average 40c (using a 10% exit yield). This was followed by a second proposal and a third one in early July, which was valued on average at 55c. However, the offer has not been fully supported by bondholders and the situation remains unresolved.
- The sovereign proposal was followed by a proposal by the Province of Buenos Aires in late April, which came at better terms than the sovereign. Still, the offer was also rejected by bondholders. No amended proposal was made by BUENOS to date. In June, the province of Mendoza launched a restructuring offer, which was followed by a second offer in early July. Both offers were better than the sovereign proposals and rejected by a bondholder committee.
- In early June, the Province of Rio Negro missed the coupon payment on its 25s, with the grace period having expired in early July. Additionally, in early July the Province of Salta missed the coupon payment on its 24s, entering into the 30-day grace period
- In early May, AEROAR successfully exchanged its secured 27s for new 27s that will provide a PIK period through May 2021
- In end June, TECOAR launched an exchange offer for its 21s, valid through August 3rd, which provides a cash payment of 32c and 70c of a new 8.5% 25s
- In early July, YPF launched an exchange offer for its 21s, which was amended some days after and to date remains open. Per the offer, the company is providing 12.c cash payment and 95c in new 25s
- In early July, Pampa successfully commissioned the closing cycle of its Genelba plant, set to be one of the most efficient plants in the country, which added 199MW of installed capacity and after having invested more than US$350mm

EM HIGHLIGHTS 2Q'20

Brazil

- Brazilian GDP grew 1.1% in 2019 and 0.9% y/y in 1Q20
- World Bank projects a 8% y/y contraction in GDP for 2020
- Brazil's basic interest rate SELIC hit a record low of 2.25% after a 75bps cut in June 2020
- Inflation rate of June 2020 LTM was 2.13%, down from 4.31% in December 2019
- Minister of Justice, Sergio Moro, left the government after accusing the President of political interference in the Federal Police
- Amidst the COVID-19 pandemic, Brazil lost two technical names as Ministers of Health due to disagreements with the President, intensifying the political crisis
- Brazil's local equity index, Ibovespa, surged back to the 100,000 points range after bottoming at 63,500 points in March due to the Coronavirus outbreak
- After criticizing the quarantine, social distance measures and public health organizations, President Jair Bolsonaro got infected by COVID19
- Brazil has more than 1,716,196 cases of COVID-19 in all states and 68,055 confirmed deaths according to the Ministry of Health (as of July 9)
- The country also has 1,117,922 recovered patients (as of July 9)
- Government measures to reduce the Coronavirus impact includes aid packages to small business and specific sectors (aviation, energy distributors), financial aid to states, flexibilization of labor legislation, extension of tax payments and a three monthly payments of R$600 informal workers and unemployed, among others

China

- GDP grew 3.2% y/y in 2Q20
- Caixin manufacture PMI in April, May, June was 49.4, 50.7 and 51.2. Caixin service PMI was 44.4, 54.5, and 58.4
- LPR remained unchanged in 2Q. PBOC stuck with conservative rates policy amidst the economic recovery
- High-level housing and finance regulators promised to maintain current tight restriction on funding the property sector. Shenzhen (Tier 1) tightened HPR restrictions

EM HIGHLIGHTS 2Q'20

China (continued)

- Second wave COVID-19 epidemic in Beijing under control. Only four districts out of 200 categorized as "medium risk"
- In 2Q, railway passengers decreased 53% y/y to 434 mm. Number of domestic flight passengers in two airports in Shanghai decreased 58% y/y to 4 mm.
- In the debt restructuring of Founder Group, the management denied claims from bondholders under a keep-well agreement, setting an important negative precedent for China's offshore bond market. Keep-well agreements should not be considered contractual obligations.

Kingdom of Saudi Arabia (KSA)

- The International Monetary Fund (IMF) expects the KSA's economy to contract by 6.8% in 2020 vs. global growth of negative 4.9% in 2020
- Saudi Arabia's FX reserves, which in recent years hovered around ~US$500 billion, held by the country's central bank mostly in the US Treasuries, dropped sharply to US$449 billion, lowest level in almost 20 years, as the Kingdom maintains the Saudi Riyal's (SAR) peg to the USD amid the COVID-19 pandemic and low oil prices; the IMF projects a breakeven oil price of USD$76 per barrel for Saudi Arabia, almost double the current price of US$43/barrel
- The Ministry of Finance increased its debt ceiling from 30% of GDP to 50%
- Starting August 30, 2020, investors will be able to trade derivatives at the Saudi Stock Exchange (Tadawul). By adding this layer of sophistication, the Kingdom hopes to attract domestic and international investors as the COVID-19 outbreak continues and weak oil prices prevail
- Religious tourism traditionally makes up ~20% of the country's non-oil GDP as the country welcomes ~2.5 mm people for Hajj annually; this year, over public health concerns, Saudi Arabia allows only ~1,000 pilgrims, the Kingdom's residents only, to enter the cities of Mecca and Medina in late July – early August 2020
- COVID-19: As of July 2020, the Kingdom of Saudi Arabia with a population of 34.8 mm people (~the size of Canada with 37mm people) has 243,238 confirmed cases of COVID-19 with 2,370 fatalities.

EM HIGHLIGHTS 2Q'20

Mexico

- On July 1st, 2020, the new USMCA agreement (T-MEC) came into effect
- Mexico's Central Bank decreased the base interest rate to 5.00% from 6.50% through three consecutive 50 bp rate cuts in April, May and June.
- In June, Mexico's inflation rate reached its highest level in three months to 3.33% vs Banxico's 3.0% target, with unemployment rate at 5.0%.
- The IMF decreased Mexico's 2020 GDP growth rate estimate to negative 10.5%. Reportedly, ten thousand SMEs closed due to the pandemic in 2Q20.
- Industrial activity decreased by 30% y/y in May registering 20 months in negative territory. Car sales decreased by 59% y/y in May and 41% y/y in June.
- Mexico City International Airport traffic decreased by 87% y/y in June and by 94% y/y in May.
- Net profits in the Mexican Banking system decreased by 31% y/y in May
- In June 2020, Mexico's Govt. implemented a color-coded reopening plan for allowed activities based on the level of contagion in each state. As of mid-July, 17 states had already moved away from the maximum risk level. Restaurants, hotels and shopping malls had reopened at 30% capacity on a nation-wide level.
- As of July 14th, 2020, Mexico had 304,435 confirmed covid-19 cases and 35,491 deaths.
- Pemex anticipates a 61% y/y decline in sales during 2Q20 due to lower fuel demand and is currently negotiating with suppliers to defer payments until 2021.
- In May 2020, Pemex crude processing was 12% higher y/y with upstream production stable at 1.6 million bbls/d after the OPEC+ agreement.
- In July 2020, Mexico's Secretary of Energy notified Talos and Pemex to reach an agreement within 120 business days on the potential 150k bbls/d Zama field.
- Pemex will receive MXN$12 bn annually due to the new 5-day gasoline inventory storage policy for third parties that came into effect in July
- In May 2020, Mexico's Secretary of Energy published new regulation restricting new private sector permits for renewable energy projects. The regulation was presented without evaluating the impact on the sector and reportedly affecting over US$30 bn in ongoing electricity investments. However, in June a federal judge suspended the proposed regulation after Mexico's COFECE mentioned the policy violated fair competition.
- In June 2020, CFE increased its electricity transmission tariffs to private generators by 8x

EM HIGHLIGHTS 2Q'20

Russia

- As at June 30, 2020, Russia's FX reserves stood at US$569 billion, of which US$131 billion are in gold
- Following March 2020 Russia Ruble (RUB) devaluation vs. USD (~18% to just over RUB 80/USD), RUB gained back some of its value – currently, at RUB 71.2/USD. The performance of the RUB since March 2020 has been quite impressive, outpacing that of major currencies such as EUR and GBP
- In mid-April 2020, OPEC and their allies, including Russia and Mexico, agreed to cut oil production by 9.7 mm barrels a day in May and June 2020, the deepest cut ever agreed to by the world's oil producers. After that, the group will gradually increase output until the agreement expires in April 2022. The price of oil fell as low as US$19/barrel in mid-April 2020 (right around the time of the agreement) steadily climbing up to the current level of US$43/barrel. OPEC and Russia are set to start unwinding the record oil supply cuts in August 2020. It would be the first attempt to check market tolerance since ~10% of global oil supply was removed from the market earlier in the yar after COVID-19 lockdowns and travel restrictions drove down oil demand.
- According to the Central Bank of Russia (CBR) July 2020 report, the Russian economy contracted ~10% in 2Q20 as Russia slashed its oil production by ~2.5 mm barrels a day (or more than 20%), following April 2020 OPEC agreement. The CBR expects the country's economic recovery to be 'gradual, lengthy and uneven'. In June 2020, the CBR slashed its key interest rate to a record low of 4.5% to support the country's economic recovery. Ms. Elvira Nabiullina, head of the CBR, however, signaled to the market that interest rate is likely to be cut again in 2020. Inflation is expected to stay below the CBR's 4% target.
- The International Monetary Fund (IMF) expects Russia's economy to shrink by 6.6% in 2020 (vs. 3.7% growth in 2019) vs. EU growth of negative 10.2% in 2020
- COVID-19: As of July 16, 2020, Russia with a population of 145.9 mm people (approximately half the size of the USA) has 751,612 confirmed cases of people infected with the COVID-19 with 11,920 fatalities. The Government of the Russian Federation has announced the end of the federal non-working period, which was implemented to slow the spread of COVID-19, and the restriction are gradually being lifted with individual regions, however, setting their own rules regarding self-isolation, opening of businesses, etc. The city of Moscow, for example, no longer requires to self-isolate and to obtain a pass to move around the city. Starting July 13, 2020, nearly all businesses, schools, universities are allowed to operate. From August 1, 2020, it is expected that theatres, move theatres and concert halls would be allowed to open with limitations on attendance.

EM HIGHLIGHTS 2Q'20

Sub-Saharan Africa

- The Nigerian economy expanded 1.9% y/y in 1Q20, more than 1 p.p. above expectations. Ghana's economy in turn expanded 4.9% y/y, a four year low. South African economy continues in recession, having contracted 2.0% q/q in 1Q20
- In April, the IMF recommended a US$3.4bn emergency funding for Nigeria to be repaid in five years, which became the largest allocation yet by the IMF to an African country to assist with the covid-19 pandemic. Earlier the same month, the organism approved US$1bn in emergency funding for Ghana. Additionally, South Africa is planning to access US$4.2bn in funding
- In May, Nigerian President Buhari called for international organizations to provide a debt pardon to help combat the effects of the covid-19. Later, the Minister of Finance, Ahmed stated an intention to deferral public debt until 2021, although without having mentioned which type of debt obligations. In June, Ghana's Minister of Finance commented that African economies would need a 3-year debt halt to avoid a depression
- With a widening gap between official and parallel exchange rates, the government of Nigeria has acknowledged an intention to unify the exchange rates
- Per South Africa's Minister of Finance Mboweni, the country will be in a debt crisis by 2025 unless the fiscal deficit is controlled. Due to the pandemic crisis, debt to GDP is expected to reach 80% this year, and at current pace to exceed 100% by 2025 and increase to almost 120% by the end of the decade.
- Due to its high deficit, debt and the recession, S&P further downgraded South Africa to BB-
- In April, Tullow announced the sale of its entire stake in the Lake Albert development project in Uganda to Total for US$575mm, of which US$500mm will be collected in cash and is expected to close in 2H20

EM HIGHLIGHTS 2Q'20

Turkey

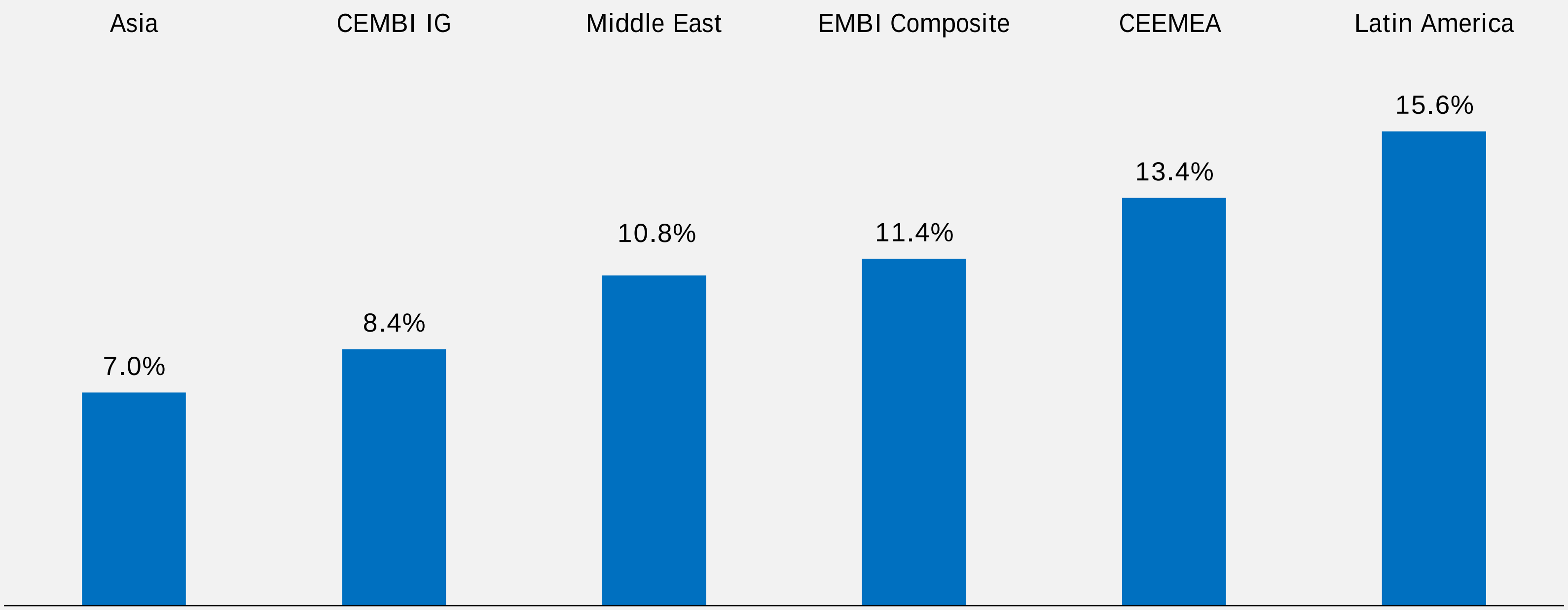
- GDP expanded 4.5% y/y in 1Q20 and 0.6% q/q
- Inflation resurged to 12.6% y/y in June, citing concerns of the pace of the CBT rate cuts
- After constantly cutting rates for a year, in its June meeting the CBT unexpectedly decided to keep the rates unchanged at 8.25%
- Confrontations with Russia and Egypt over Syria and Libya escalated, particularly on the latter, where Turkey backs the UN recognized government which has gained control over the main regions in the country and has dangerously approached the Egypt border
- In early June, Turkey started to ease the lockdown restrictions. As expected, cases rose but remain well below peak numbers
- The Turkish state injected TRY21bn (~US$3bn) into state own banks to strengthen capitalization
- To respond to the pandemic, banks are offering a 3-month payment holiday for all those who apply for it
- New Central Bank regulation increased the default period of a loan to be categorized as stage 2 and stage 3 to 90 days and 180 days through end-2020, which, together with the payment holidays, will create a significant distortion in the reported asset quality of banks vs actual impairments
- The Turkish Wealth Fund agreed to become the largest shareholder of telecom giant Turkcell and gain control over the Board with its 26.2% interest
- Akbank became the first bank to issue bonds under the ongoing pandemic, placing US$500mm in a five year note which was three times oversubscribed
- Tupras' biggest oil refinery in Izmir was closed for practically the entire quarter, gradually reopening starting July 1st

EM HIGHLIGHTS 2Q'20

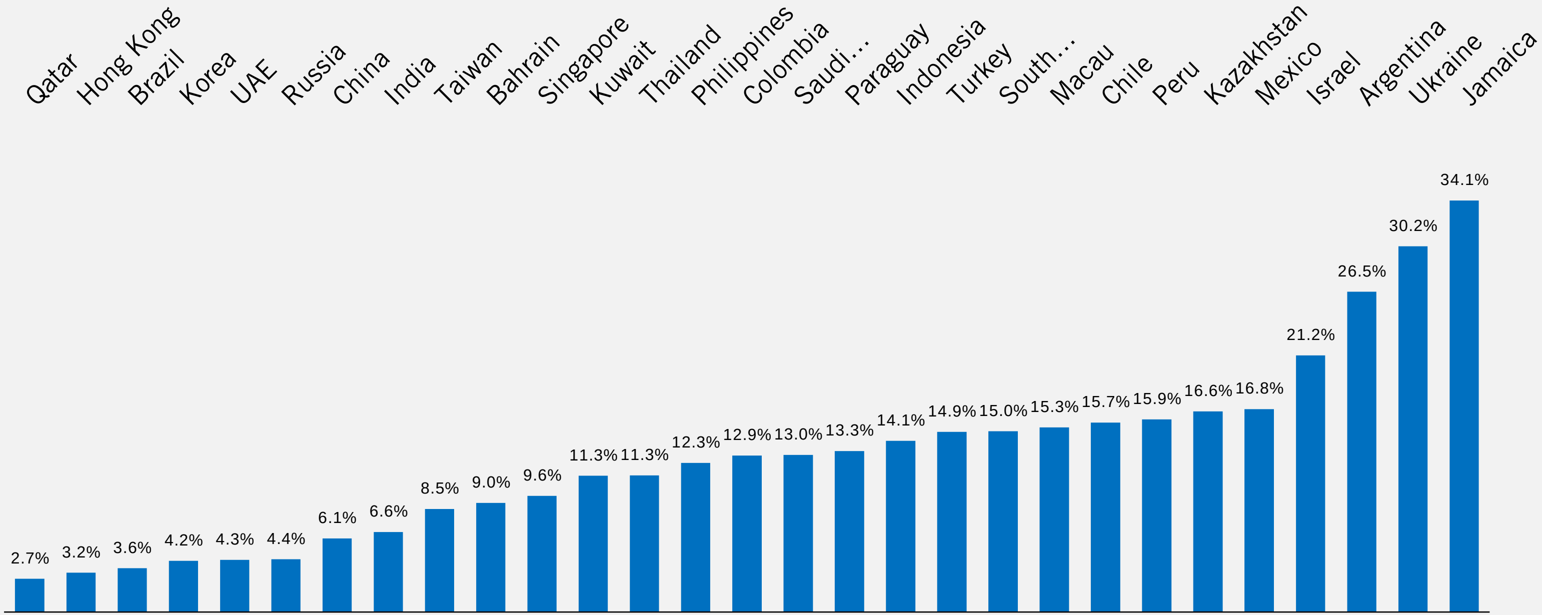
Ukraine

- On July 1, 2020, President Zelenskiy and Parliament accepted the resignation of the National Bank of Ukraine (NBU) head, Mr. Yakiv Smoliy, who cited political pressure on the NBU in his decision to resign. Reacting to the event, the IMF underscored that preservation of the independence of the NBU is a requirement under the current program
- On July 15, 2020, Mr. Kyrylo Shevchenko was nominated to the Verkhovna Rada for the post of head of the NBU. Mr. Shevchenko has been the head of the board of Ukrgasbank since May 2015, prior to that the first deputy of the heard of the board. During 2012 -2014, he was an adviser to the head of Oschadbank
- In early July 2020, Ukraine cancelled a planned offering of USD-denominated Eurobonds. The decision follows the resignation of the NBU governor. The government planned to issue a US$1.75 billion, 12-year bond and, simultaneously, to buy-back Eurobonds due 2021 and 2022
- As at June 2020, Ukraine's FX reserves stood at US$28.52 billion, the highest number in seven years
- Following 7.4% devaluation in March 2020 upon the COVID-19 outbreak, the Ukrainian Hryvnia (UAH) gained back some of its value avoiding a large drop and corresponding potential anxiety among bank depositors.
- During 1Q20, according to Ukrstat, there was a net outflow of foreign direct investment (FDI) of US$1.45 billion from Ukraine, reversing the trend of inflows of the last several years: US$1.25 billion in 4Q19, US$647 mm in 3Q19, US$699 mm in 2Q19 and US$452 mm in 1Q19. In April 2020, there was an outflow of US$360 mm, followed by an outflow of US$323 mm in May 2020
- COVID-19: As of July 2020, Ukraine with a population of 43.7 mm (roughly the size of Spain with 46.7mm people) has 56,779 confirmed cases of COVID-19 with 1,444 fatalities. Lockdown was eased in late May 2020 and early June 2020 with a resumption of public transportation, including subway and train. In late June 2020, there was an uptick in COVID-19 cases, however, the authorities are rather reluctant to send people back into lockdown urging them instead to wear masks, wash hands and practice social distancing.

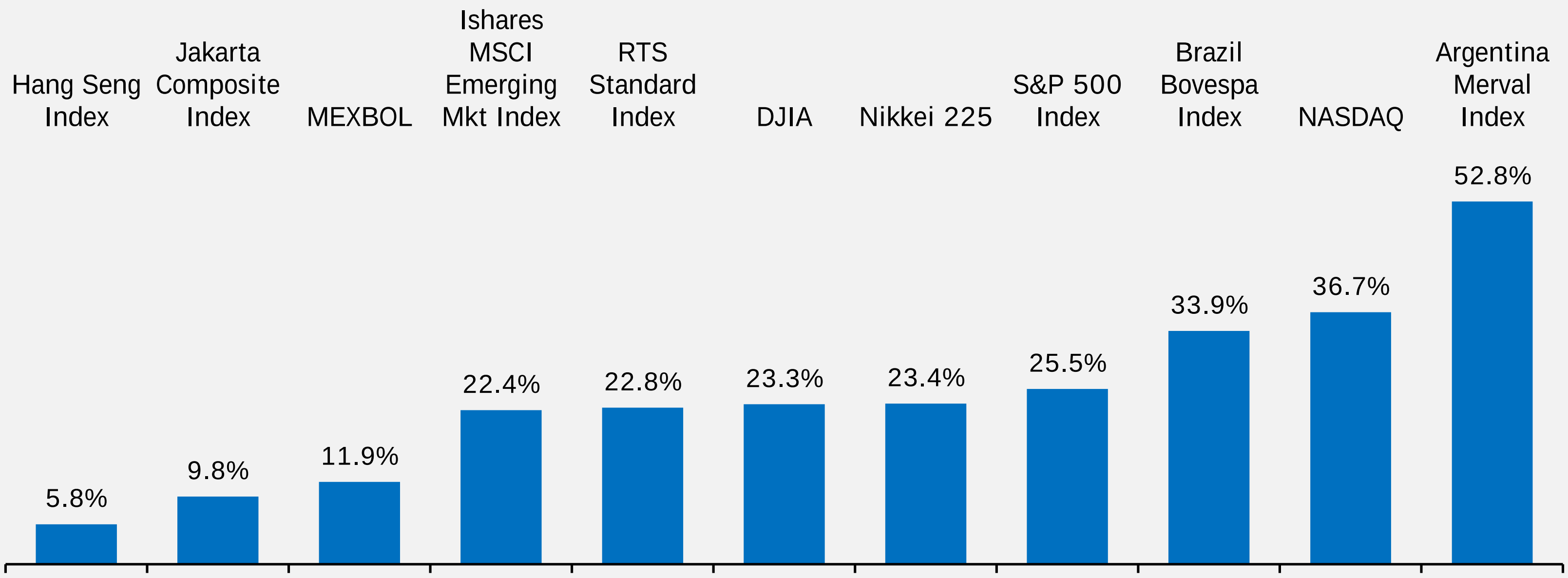
OVERVIEW
EMBI INDEX RETURNS 2Q20
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS BY COUNTRY 2Q20



OVERVIEW
GLOBAL EQUITY INDEX RETURNS 2Q20



2Q20 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 =**	**23.49%**	**11.31%**
CSNABZ 28	CSN ISLANDS XI CORP	Iron/Steel	Brazil	USD	04/06/20	07/15/20	100	57.5	86.5	6.75%	50.4%	52.3%	35.7%
CYDSA 27	CYDSA SAB DE CV	Food	Mexico	USD	04/06/20	07/15/20	100	69.5	99.3	6.25%	42.8%	44.5%	27.9%
CWCLN 27	C&W SENIOR FINANCING DAC	Telecommunications	Caribbean	USD	04/06/20	05/07/20	31	87.0	99.5	6.88%	14.4%	15.0%	8.7%
GOLLBZ 24	GOL EQUITY FINANCE SA	Airlines	Brazil	USD	04/06/20	04/30/20	24	35.5	48.1	3.75%	35.4%	35.6%	30.1%
KAISAG 22	KAISA GROUP HOLDINGS LTD	Real Estate	China	USD	04/06/20	07/15/20	100	83.0	100.0	8.50%	20.5%	22.8%	6.2%
KUOBMM 27	GRUPO KUO SAB DE CV	Food	Mexico	USD	04/06/20	07/15/20	100	74.5	93.0	5.75%	24.8%	26.4%	9.8%
MRFGBZ 26	NBM US HOLDINGS INC	Food	Brazil	USD	04/06/20	06/05/20	60	89.0	107.3	7.00%	20.5%	21.7%	6.9%
NEUQUE 28	PROVINCE OF NEUQUEN	Regional(state/provnc)	Argentina	USD	04/06/20	07/15/20	100	65.0	80.3	8.63%	23.5%	25.9%	9.2%
TCZIRA 22	TC ZIRAAT BANKASI AS	Banks	Turkey	USD	04/06/20	07/15/20	100	91.5	98.3	5.13%	7.4%	8.8%	(7.8%)
TRAGAS 25	TRANSPORT DE GAS DEL SUR	Pipelines	Argentina	USD	04/06/20	07/15/20	100	72.8	87.0	6.75%	19.6%	21.5%	4.8%
ALPHSA 25	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	05/11/20	07/15/20	65	72.8	82.0	9.00%	12.7%	14.3%	3.3%
LILAK 24	LIBERTY LATIN AMERICA	Media	Caribbean	USD	05/07/20	07/15/20	69	73.9	82.4	2.00%	11.5%	11.9%	0.8%
CARINC 22	CAR INC	Commercial Services	China	USD	06/01/20	07/15/20	44	69.1	86.9	8.88%	25.8%	26.9%	22.5%
AJECBV 22	AJECORP BV	Beverages	Peru	USD	06/17/20	07/15/20	28	97.9	98.6	6.50%	0.8%	1.3%	0.2%
											Total Average Return =	**23.49%**	**11.31%**

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	04/06/20	07/15/20	100	396.1	462.0	16.6%

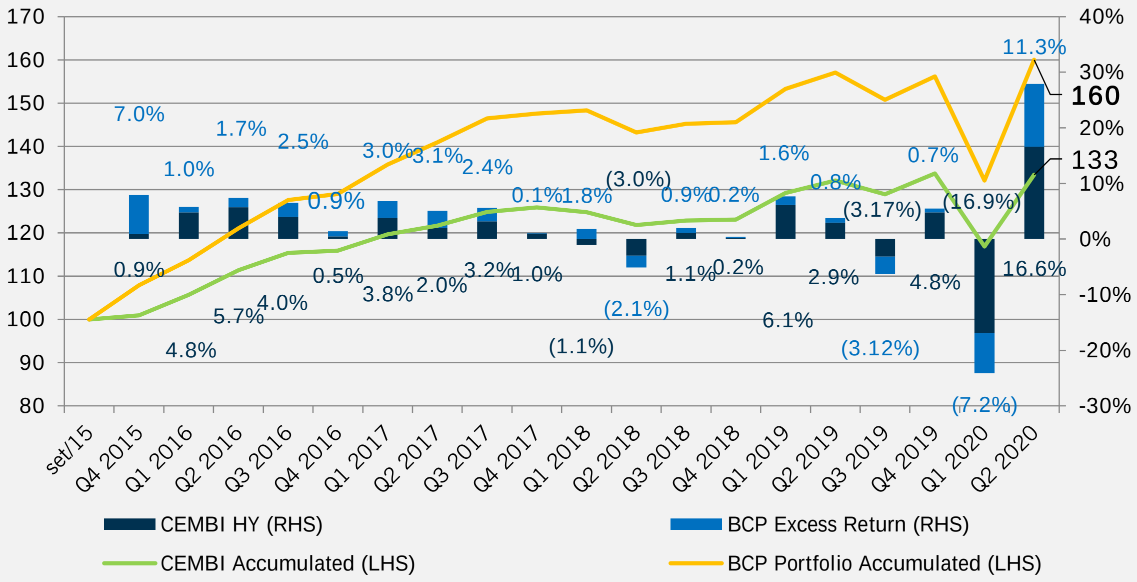
Source: Bloomberg as of 07/15/2020

2Q20 TOP PICKS PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated positive excess return of 1,131 bps vs. our CEMBI HY benchmark. Outperforms returned positive 2,349bps on average, outpacing the index by 1,131bps.
- Our top performers were CSNABZ 28s and GOLLBZ 24s, with excess return of 35.7% and 30.1% respectively.
- TCZIRA 22s was the biggest disappointment, generating negative excess performance of 7.8%
- Over the past 19 quarters, BCP Top Picks have generated compounded excess return of 26.61% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH JULY 15th 2020

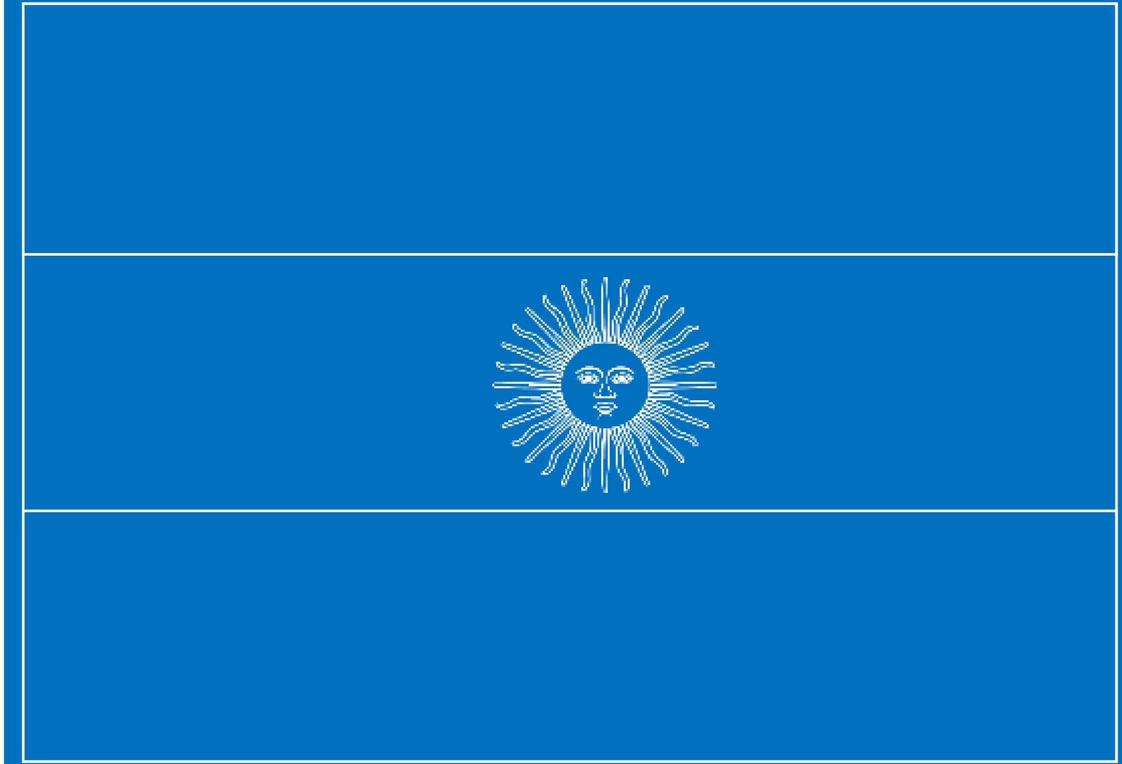


BCP Top Picks/ 07/20/2020

3Q20 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform										
CSNABZ 28	CSN ISLANDS XI CORP	Iron/Steel	Brazil	USD	$1,000	B2/ -/ B	6.75%	28/01/2028	8.98%	88.00
PAMPAR 27	PAMPA ENERGIA SA	Electric	Argentina	USD	$646	Caa3/ CCC+/ CCC	7.50%	24/01/2027	10.53%	86.00
LILAK 24	LIBERTY LATIN AMERICA	Media	Caribbean	USD	$403	-/ -/ -	2.00%	15/07/2024	7.13%	82.50
CARINC 22	CAR INC	Commercial Services	China	USD	$372	Caa1/ CCC/ -	8.88%	10/05/2022	19.45%	84.51
KAISAG 22	KAISA GROUP HOLDINGS LTD	Real Estate	China	USD	$1,147	-/ -/ B	8.50%	30/06/2022	8.56%	99.89
KUOBMM 27	GRUPO KUO SAB DE CV	Food	Mexico	USD	$450	-/ BB-/ BB	5.75%	07/07/2027	7.23%	92.00
ALPHSA 25	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	$400	B2/ B+/ -	9.00%	10/02/2025	14.54%	82.00
NEUQUE 28	PROVINCE OF NEUQUEN	Regional(state/provnc)	Argentina	USD	$338	-/ -/ CCC	8.63%	12/05/2028	12.64%	80.25
AJECBV 22	AJECORP BV	Beverages	Peru	USD	$450	-/ B/ B	6.50%	14/05/2022	7.17%	98.88
DARALA 22	DAR AL-ARKAN SUKUK CO LT	Real Estate	Saudi Arabia	USD	$500	B1/ -/ -	6.88%	10/04/2022	7.86%	98.44
TSKBTI 25	TURKIYE SINAI KALKINMA B	Banks	Turkey	USD	$400	B3/ -/ B+	6.00%	23/01/2025	6.98%	96.25

Source: Bloomberg as of 07/20/2020



ARGENTINA

MARKET OUTPERFORM (ARGENTINA):

NEUQUE 8.625% 28

The Province of Neuquén is situated in the Patagonia region, with a population of nearly 550 thousand and a poverty rate of 28.6% in its main urban areas (Plottier – 50% of total population) as of Dec-19 according to IDEC. The province is the highest gas and third largest oil producer, with a total production of 470kboepd, and 134kbpd in the first ten months of 2019, respectively, with proven reserves of nearly 1,146mmboe of gas and 463mmbbl of oil at Dec-18, resulting in an average life of nearly ten years of oil and seven years of gas reserves. The vast majority of Vaca Muerta is located in the province.

Description	Amt. (US$ MM)	Rating (M/SP/F)	Mid Price	Mid YTM
NEUQUE 8 5/8 05/12/28	338	-/-/CCC	80.25	12.64%

PROS:

- Notes backed by oil & gas royalties, a USD indexed payment stream
- Largest gas and third largest oil producer, containing the vast majority of Vaca Muerta's reserves. Light oil producer, which gets better pricing on higher quality
- Strongest debt service coverage among peers, which we estimate at above 3x at current production and oil and gas prices
- Recent agreement to maintain a local crude price floor of $45 in order to sustain production levels.
- Amortizing bond with quarterly principal payments starting 2020, reducing duration and easing refinancing risks
- Oil and gas production has grown sharply due to the focus on non-conventional production

CONS:

- Covid19 pandemic and mobility restrictions are expected to significantly weaken tax collection and oil consumption, resulting in increased fiscal deficit
- Recent plummet in oil prices and previous gas price decline due to oversupply have reduced debt service coverage, although we continue to see sound levels
- None of the concessions backing the bonds refer to non-conventional production that collect subsidies under the current gas plan
- Lower oil and gas demand will significantly hurt capex levels and production
- 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
- Conflicts with oil worker unions have led to several strikes in the past
- The province maintains its own deficit generating social security program

MARKET OUTPERFORM (ARGENTINA):

NEUQUE 8.625% 28

Basic structure

- US$235MM Tranche 1 and US$114MM Tranche 2 resulted from the exchange of 2021 notes.
- Quarterly interest payments and quarterly principal payments starting May-20.
- Secured by the Argentine Collateral Trust whose assets are the assigned royalties payable to the province under the Primary Dedicated Areas and those royalties under the Additional Dedicated Areas securing the 2021 notes in the percentage of total amount exchanged for the 24s (70%). Subject to the full repayment of the 2021s, 100% of royalties under the Additional Dedicated Areas will secure the notes.
- The notes are direct, general, unconditional and unsubordinated obligations of the Province of Neuquén.
- Not a true sale: the Province agrees to irrevocably and unconditionally transfer to the Argentine Collateral Agent its right to collect the Specified Royalties for the benefit of the bondholders.
- Primary Dedicated Areas account for nearly 45% of Neuquen's gas production and Additional Dedicated Areas account for nearly 55% of Neuquen's oil production.
- Royalties paid by concessionaires to Neuquén are 12% of wellhead price. Assigned Royalties are deposited in a Collateral Account and represent 100% of total royalties of Primary and Additional Dedicated Areas until Nov-17, then, as long as the Adjusted Royalties Coverage Amount is at least 3x, it will be reduced by 2.5% each year for four years, then by up to 7.5% on the fifth year, and then by up to 10% each year until maturity as long as the ratio is at least 6x.

COVENANTS

- Trigger Event: if coverage falls below 1.35x, the Collateral Agent shall convert all excess royalties to USD and transfer them to the Trigger Event Prepayment Account until the trigger event ceases to exist. As long as a trigger event exists, the notes will be paid in reverse order of maturity (last installment shall be paid first)
- Same procedure in case of any Default Event
- Accordingly, under a trigger event or event of default, the Province would not collect any excess royalties

MARKET OUTPERFORM (ARGENTINA):

NEUQUE 8.625% 28

ESTIMATED DEBT SERVICE COVERAGE AT **US$45 BRENT,** US$2.3/MMBTU GAS **AND CURRENT PRODUCTION**

‘US$000	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Feb-22	May-22	Aug-22	Nov-22	Feb-23	May-23
Interest payment	7,293	7,068	6,842	6,616	6,391	6,165	5,940	5,714	5,489	5,263	5,038	4,812
Principal payment	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461
Total debt service	17,754	17,528	17,303	17,077	16,852	16,626	16,401	16,175	15,949	15,724	15,498	15,273
Estimated royalties (*)	56,086	56,086	56,086	56,086	56,086	56,086	56,086	56,086	56,086	56,086	56,086	56,086
Debt Service Coverage	3.2	3.2	3.2	3.3	3.3	3.4	3.4	3.5	3.5	3.6	3.6	3.2

May-23

ESTIMATED DEBT SERVICE COVERAGE AT **US$45 BRENT,** US$2.3/MMBTU GAS **AND 20% LOWER PRODUCTION VS CURRENT LEVELS**

‘US$000	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Feb-22	May-22	Aug-22	Nov-22	Feb-23	May-23
Interest payment	7,293	7,068	6,842	6,616	6,391	6,165	5,940	5,714	5,489	5,263	5,038	4,812
Principal payment	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461
Total debt service	17,754	17,528	17,303	17,077	16,852	16,626	16,401	16,175	15,949	15,724	15,498	15,273
Estimated royalties (*)	44,869	44,869	44,869	44,869	44,869	44,869	44,869	44,869	44,869	44,869	44,869	44,869
Debt Service Coverage	2.5	2.6	2.6	2.6	2.7	2.7	2.7	2.8	2.8	2.9	2.9	2.9

May-23

ESTIMATED DEBT SERVICE COVERAGE AT **US$30 BRENT,** US$1.6/MMBTU GAS **AND 20% LOWER PRODUCTION VS CURRENT LEVELS**

‘US$000	Aug-20	Nov-20	Feb-21	May-21	Aug-21	Nov-21	Feb-22	May-22	Aug-22	Nov-22	Feb-23	May-23
Interest payment	7,293	7,068	6,842	6,616	6,391	6,165	5,940	5,714	5,489	5,263	5,038	4,812
Principal payment	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461	10,461
Total debt service	17,754	17,528	17,303	17,077	16,852	16,626	16,401	16,175	15,949	15,724	15,498	15,273
Estimated royalties (*)	30,191	30,191	30,191	30,191	30,191	30,191	30,191	30,191	30,191	30,191	30,191	30,191
Debt Service Coverage	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.9	1.9	2.0

May-23

MARKET OUTPERFORM (ARGENTINA):

NEUQUE 8.625% 28

BASE CASE SCENARIO

Our Base Case scenario for fiscal balances assumes for 2020 in real terms:

- Tax collections decrease 10% y/y
- Current transfers decrease 10% y/y. Current transfers relates mostly to discretionary transfers from national government for current expenses
- Social security income and expenses remain unchanged y/y
- Royalties decrease 30% y/y
- Payroll expenses remain unchanged y/y
- Goods and service and current transfer expenses decrease 10% y/y. Current transfer expenses relate mostly to transfers to municipalities, most of which are through local coparticipation schemes
- Capital income and expenses decrease 50% y/y

DOWNSIDE SCENARIO

- Under our Downside Case declines are 20% instead of 10%

MARKET OUTPERFORM (ARGENTINA):

NEUQUE 8.625% 28

Province of Neuquen (AR$MM)	LTM1Q20	BASE CASE	DOWNSIDE CASE	2019	2018	2017
Current income	148,592	119,497	111,267	137,728	91,092	56,762
Local tax revenues	40,100	33,408	29,696	37,120	23,587	13,426
National taxes	27,796	23,208	20,630	25,787	17,290	12,887
Current transfers	2,017	1,723	1,531	1,914	2,047	1,990
Royalties	36,485	23,336	23,336	33,337	22,166	10,022
Social security	25,013	22,091	22,091	22,091	14,153	10,153
Other current income	17,181	15,731	13,983	17,479	11,850	8,284
Current expenses	(141,431)	(125,346	(121,985)	(128,707)	(79,501)	(57,695)
Personnel expenses	(78,059)	(70,425	(70,425)	(70,425)	(43,820)	(32,505)
Current transfers	(21,181)	(17,649	(15,688)	(19,610)	(12,804)	(8,179)
Good and services	(13,705)	(12,324	(10,954)	(13,693)	(8,544)	(6,887)
Social security	(28,178)	(24,670	(24,670)	(24,670)	(14,117)	(10,119)
Capital income	1,744	938	938	1,876	1,990	2,036
Capital expenditures	(12,482)	(6,290)	(6,290)	(12,579)	(8,642)	(5,680)
Primary surplus / (deficit)	**(3,577)**	**(11,200**	**(16,069)**	**(1,682)**	**4,939**	**(4,577)**
as % of current income	(2%)	(9%	(14%)	(1%)	5%	(8%)
Interest	(1,394)	(6,678	(6,678)	(6,678)	(4,534)	(3,343)
Total surplus / (deficit)	**(10,409)**	**(17,878)**	**(22,747)**	**(8,360)**	**404**	**(7,920)**
as % of current income	(7%)	(15%)	(20%)	(6%)	0%	(14%)
Total surplus / (deficit) ex – royalties used for debt service						
as % of current income	(8%)	(17%)	(22%)			

Base and downside cases at 2019 prices

Government: current governor is Omar Gutierrez, who was reelected with 40% of votes for a second four-year term until 2023. Gutierrez belongs to the MPN, a center party which has governed the province 50 of the last 55 years.

MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
PAMPAR 7 1/2 01/24/2027	646	Caa3/CCC+/CCC	86.00	10.53%

Pampar Energia is an energy conglomerate and one of the largest private sector groups in Argentina. It is one of the largest electricity generators, with 12% market share of installed capacity. Through Edenor, it is the largest electricity distributor, with more than 3mm clients. It is also an upstream oil and gas player, with production of nearly 60kboepd. The company is majority controlled by Marcelo Mindlin, one of the wealthiest entrepreneurs in the country, and is listed in the NYSE and the local exchange.

PROS:

- One of the largest conglomerates in the country, with diversified, energy focused businesses
- Recognized shareholder and professional and skilled management
- Long USD: Its electricity generator business benefits from USD-linked revenues, with many long-term fixed price contracts signed with national government, while oil and gas prices are denominated in USD
- Successfully ramped-up the closing cycle of the Genelba plant, which will become one of the most efficient in the country and add almost US$100mm in annual EBITDA
- Very low capex needs going forward after the ramp-up of Genelba closing cycle
- Strong cash position, with cash and equivalents enough to cover debt maturities through 2023, with 80% of its cash held offshore ein USD
- Low cost tight gas producer, with a lifting cost of around US$1/MMBTU
- Holds a controlling stake in Edenor and a minority stake in TRAGAS and TRANAR, all leaders in their industry

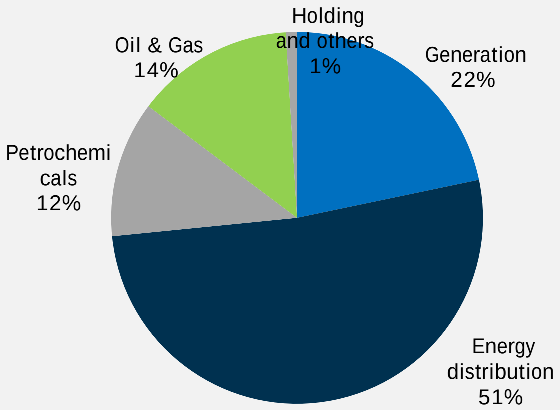
CONS:

- The company operates in heavily regulated business, subject to government intervention (i.e. in February the government pesified the base energy remuneration and later froze its indexation)
- Energy generation revenues are collected through government owned company Cammesa, who has been significantly delaying payments in 2020, although having somehow improved in the past weeks
- Gas demand has been very week in 2020 given covid pandemic and a warm autumn, which has resulted in depressed gas prices of as low as US$1.3/MMBTU. As a result, investments in the whole industry has been slashed
- Due to F/X regulations, companies are obliged to use offshore USD positions to service debt payments. Still, we estimate offshore cash position to be enough for debt service through 2023

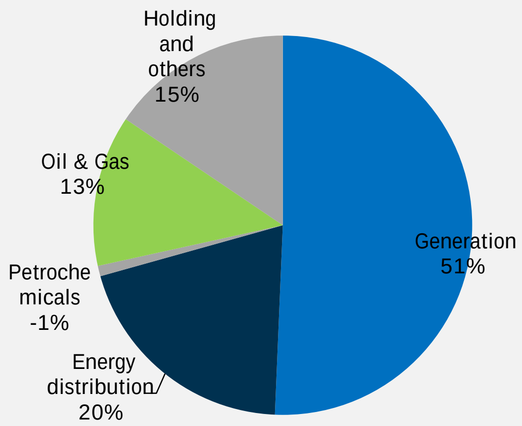
MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

CONSOLIDATED REVENUE BY SEGMENT (1Q20)



CONSOLIDATED EBITDA BY SEGMENT (1Q20)



Source: Pampa 1Q20 Earnings Release

Energy generation: USD-linked revenue for nearly two thirds and ARS denomination for the remaining one third, with a vast portion of ARS costs

Oil and gas: USD-linked revenue with a portion of ARS costs

Electricity distribution: ARS revenue with mostly ARS costs. Business non-recourse for PAMPAR bonds

Petrochemicals: USD-linked revenue with mostly USD costs

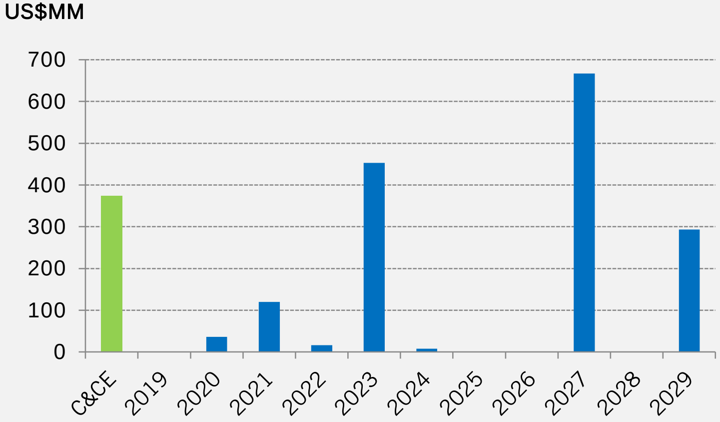
MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

STRONG CASH POSITION

- Consolidated cash position at Mar 31, 2020 ended at US$497mm, compared to a ST debt of US$96mm, which mostly refers to bank debt, which we see easier to refinance
- Excluding positions at Edenor, which is a non-recourse subsidiary, cash position at Mar 31, 2020 ended at US$373mm
- We understand around US$200mm are in offshore accounts in USD
- With its cash position, the company has enough funds to cover debt maturities through 2023, when the first of the three bonds outstanding comes due

AMORTIZATION SCHEDULE 03.31.2020 AT RESTRICTED GROUP



Source: Pampa Energia Mar-20 Presentation

MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

STRESS CASE

- We assume 50% inflation on COGS and depreciation for next twelve months
- We assume energy segment remuneration is one third in ARS, which does not get any price increase, and the remaining in USD, which refer to PPAs, we reduce the price by one third
- We add US$90mm for Genelba's EBITDA
- We assume gas prices remain depressed at US$1.6//MMBTU
- We assume a 33% reduction in petrochemicals prices
- We assume a 50% passthrough of inflation into all regulated revenue (accordingly, we increased 3Q19 revenue by 25%)
- We estimate EBITDA excluding Genelba would be reduced by half, although with the inclusion of Genelba, we estimate EBITDA would decline by one third
- As a result, we estimate that under a stressed scenario, net leverage would reach 3.4x
- Assuming maintenance capex of US$110mm and coupon payments, we estimate the company would generate almost US$100mm in FCF before working capital and taxes

US$mm – Exclduing Edenor (non recourse)	1Q20	Stressed
Quarterly Revenue	292	184
Generation	134	81
Petrochemicals	73	49
Oil and gas	85	54
Quarterly EBITDA ex Genelba	141	68
Generation ex Genelba	114	61
Petrochemicals	(2)	(10)
Oil and gas	29	17
Genelba	0	23
Annualized EBITDA	564	364
Recourse net debt at Mar31, 2020	1,240	1,240
Net leverage under stressed scenario	2.2x	3.4x
Annual Capex		110
Annual interest expense		160
FCF for WK, taxes and dividends		94

BRAZIL

MARKET OUTPERFORM (BRAZIL):

CSNABZ 6.75% 28s

CSN is a Brazilian integrated steel producer operating throughout the entire steel production chain, from the mining of iron ore to the production and sale of a diversified range of high value-added steel products. CSN is divided into five segments: steel, mining, cement, logistics and energy. The depressed steel EBITDA in recent quarters from a scheduled furnace stoppage resulted in mining EBITDA accounting for nearly 80% of the total. Though internal steel production had normalized as the furnace ramped up, CSN opted to temporally shut down a less efficient blast furnace due to weaker steel demand. We see a 22% y/y decline in steel volumes and a 10% y/y decline in iron volumes, the latter mainly from the rainfall impact in 1Q20. The strength in iron ore spot at US$101/t and iron cash costs at US$26/t, coupled with cash cost improvements in steel, our base case net leverage would be 4.3x. Furthermore, CSN has substantial collateral value at its mining subsidiary to secure refinancing or new financing if needed as well as favorable WK dynamics benefiting FCF.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CSNABZ	6.50%	7/21/2020	171	B2 / B- / B	99.87	49.95%
CSNABZ	7.63%	2/13/2023	925	B2 / - / B	97.50	8.73%
CSNABZ	7.63%	4/17/2026	600	B2 / - / B	91.50	9.58%
CSNABZ	6.75%	1/28/2028	1,000	B2 / - / B	88.00	8.98%
CSNABZ	7.00%	PERP	1,000	B2 / B- / B	77.00	9.09%

Pros

- One of the largest integrated flat steel and iron producers in Brazil and LatAm
- Global footprint, with domestic revenues being only 45% of the total
- Steel sales were 4.5k tons, accounting for 55% of the total revenue in 2019
    - Internal steel production normalizing as furnace is fully operational
- Iron ore sales were 39% of total revenue, with CSN producing 33 mm tons out
- of the 39 mm tons sold in 2019
    - Resilient iron ore spot at US$79/t, with CSN cash costs at US$27/t
    - High quality iron mine and operating full dry-stacking
- LTM FCF generation, partially through US$750 mm in export prepayments
- Substantial collateral value in mining subsidiary to secure refinancing or new financing

Cons

- Depressed steel EBITDA margins in recent quarters due to the steel furnace stoppage, expected to normalize as the furnace ramps-up
- Weaker steel demand from COVID-19 industry stoppages, incl. the automotive sector that accounts for 31% of CSN steel sales volumes
- Heavy rainfall significantly impacted 1Q20 iron ore mining volumes
- Challenging maturity profile with R$11 bn due within three years, of which R$3 bn are due in 2020
- Weak covenants, as USD bonds are effectively junior to all other debt, with CSN having an unlimited secured financing basket
- Strong local entrepreneur likely to be a challenging counterparty in any restructuring discussions
- Near term steel weakness at current steel reference prices

MARKET OUTPERFORM (BRAZIL):

CSNABZ 6.75% 28s

<u>Base Case:</u>

Steel

- Although internal steel production had normalized as the blast furnace #3 is now fully operational, CSN opted to temporally shut down the less efficient blast furnace #2
  - The temporal stoppage was driven by the lower steel demand
- Steel volumes sold would be 3.5k tons, an implied 22% reduction vs 2019
- Steel reference pricing continues to decline, standing at US$480/t
  - CSN's realized steel price is historically around 116% of spot
  - Reduced third party steel purchases
- Maintaining the improved 1Q20 steel cash costs at US$637/t
- Steel EBITDA would be negative US$204 mm, mainly due to depressed steel prices

Iron

- Heavy rainfall during 1Q20 impacted iron production volumes
- CSN expects to recover a portion of volumes lost in 1Q20 throughout the year
  - We see a 10% decline in volumes to 34.7k tons vs 2019
- Iron ore demand appears resilient, increasing iron spot prices to US$101/t
  - CSN's realized iron ore price has been around 66% of spot
  - Stable mining cash costs at US$26/t
- Iron EBITDA would be US$1,411 mm

Consolidated

- Incl. stable logistics EBITDA, we see CSN's consolidated EBITDA at US$1,428 mm
  - An implied 22% reduction vs 2019 due to lower steel and iron volumes
  - Yet, stable EBITDA margins at 30% from improved steel cash costs and strong iron ore spot pricing
- FCF generation at US$600 mm from WK dynamics
- Net leverage would be 4.3x

CSN (US$ MM)	FY18	FY19	Base Case
Steel Spot (US$/t)	**833**	**604**	**480**
Steel Volumes (k tons)	**5,069**	**4,525**	**3,536**
Volume Change y/y		(11%)	(22%)
Iron Ore Spot (US$/t)	**69**	**93**	**101**
Iron Ore Volumes (k tons)	**34,781**	**38,545**	**34,685**
Volume Change y/y		11%	(10%)
<u>Revenue</u>			
Steel	4,220	2,734	2,047
Iron Ore	2,023	2,901	2,300
Logistics	486	397	374
Total Revenue	**6,729**	**6,031**	**4,721**
EBITDA	**1,597**	**1,844**	**1,428**
Interest paid	(590)	(543)	(543)
Capex	(357)	(557)	(346)
Working capital	150	715	288
Taxes paid	(89)	(293)	(227)
FCF	**711**	**1,166**	**600**
Total Debt	7,724	7,250	7,250
Cash	846	525	1,124
Net Debt	6,878	6,725	6,125
Gross Leverage	4.8x	3.9x	5.1x
Net Leverage	4.3x	3.6x	4.3x
EBITDA Margin %	24%	31%	30%

MARKET OUTPERFORM (BRAZIL):

CSNABZ 6.75% 28s

Recent 1Q20 Earnings – Mixed

- 1Q20 Revenue decreased by 18% q/q to R$5.3 bn (US$1.2 bn), missing the BBG consensus by 8%
    - Steel sales were 6% higher q/q at R$3.5 bn, as foreign sales volume growth more than offset a contraction in domestic volumes
    - Iron ore sales were 35% lower q/q at R$1.6 bn, primarily from a steep decline in production q/q due to heavy rainfall in Minas Gerais
    - The avg. iron px remained resilient at US$89/dmt in 1Q20, mainly due to stable demand from China
- Adj. EBITDA was 16% lower q/q at R$1.3 bn (US$0.3 bn), missing the BBG consensus by 10% as well
    - Steel EBITDA was 68% higher q/q at R$0.3 bn, as slab production continued to ramp-up as furnace #3 normalized
    - Mining EBITDA was 29% lower q/q at R$0.9 bn, primarily from the decline in volume as cash costs per ton actually improved
    - The total EBITDA margin managed to expand to 25%, vs 24% last quarter
- FCF was essentially breakeven, mainly from WK expansion due to higher A/R and inventories
- Total debt increased to R$36.9 bn (US$7.1 bn), with cash increasing to R$4.1 bn (US$0.8 bn)
    - In January 2020, CSN issued US$1.0 bn in 6.75% senior unsecured bonds due 2028 to refinance most of the 20s and 2023 maturities
    - Maturities are R$3.5 bn due 2020 and R$4.4 bn in 2021
- The annualized gross and net leverage ratios are 6.9x and 6.2x, respectively

CSN (R$ MM)	1Q20	BBG consensus	% dif	4Q19	1Q19	q/q	y/y
Total Revenue	5,335	5,802	(8%)	6,524	6,005	(18%)	(11%)
Adj. EBITDA	1,331	1,477	(10%)	1,580	1,724	(16%)	(23%)
Adj. EBITDA margin	25%	25%	-	24%	29%	-	-

CSN (R$ MM)	1Q20	4Q19	1Q19	q/q	y/y
Total Debt	36,900	29,217	29,373	26%	26%
Cash & Equivalents	4,096	2,114	3,601	94%	14%
Net Debt	32,804	27,103	25,772	21%	27%
Total Debt / LQA EBITDA	6.9x	4.6x	4.3x	2.3x	2.7x
Net Debt / LQA EBITDA	6.2x	4.3x	3.7x	1.9x	2.4x

CSN (R$ MM)	1Q20	4Q19	1Q19	q/q	y/y
Adj. EBITDA	1,331	1,580	1,724	(16%)	(23%)
Interest paid	(535)	(457)	(603)	(17%)	11%
Capex	(354)	(839)	(314)	58%	(13%)
Working capital	(164)	837	514	-	-
Taxes paid	(231)	(210)	(8)	(10%)	(2,781%)
FCF	**46**	**911**	**1,313**	(95%)	(96%)

*Total Debt and Interest Paid incl. Leases

CARIBBEAN

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

Liberty Latin America (LILAK) is a Caribbean and Latin American-based telecommunications provider. The company operates in 20 consumer and 30 B2B markets through wholly-owned subsidiaries Cable & Wireless (C&W), VTR, Cabletica and Liberty Puerto Rico (LPR). Subsidiaries offer a range of residential and business services, including broadband internet, mobile, telephony and video, enhanced by triple and quad-play bundling. In addition, the company offers connection to 40+ markets in North and South America through it's 50,000 km subsea and terrestrial fiber optic cable network. LILAK's main competitor is Digicel (DGL), with whom it competes across 15 of its primarily mature two-player markets. LILAK is structured similarly to Digicel, subordinated in the HoldCo and relying solely on OpCo cash flow. The HoldCo burned cash in its most recent quarter, with solid Adj. OIBDA margins (39%) outweighed by heavy WK, capex and interest payments. However, the recent upsizing of VTR's revolving credit facility adds to pro-forma liquidity of US$3.5 bn, ample to support the company through the COVID-19 crisis at 4.9x pro-forma LTM net leveraged (2.2x LTM secured net leverage). This is further bolstered by strong shareholder support (John Malone, Liberty Global) and the recent refinancing of 1st lien VTRFIN '22s, extending 95%+ of LILAK's debt amortization schedule beyond 2024. In our view, In our view, LILAK's fundamental strength is not reflected in the current bond price, nor the dislocation between opco (CWCN, VTRCOM, VTRFIN) and HoldCo (LILAK) convertible bonds. Thus, we maintain our Market Outperform rating on LILAK 2% 24s at 82c, trading 5% cheap to the model, at the bond floor, with a virtually free equity option.

Issuer Name	Ticker	Cpn	Maturity	M/SP/F	Amt Out (US$MM)	Mid Px	Mid YTM	Rank
LIBERTY LATIN AMERICA	LILAK	2.00%	7/15/2024	-/ -/ -	403	82.50	7.13%	Sr Unsecured
C&W SENIOR FINANCING DAC	CWCLN	7.50%	10/15/2026	B2/ B+/ B+	500	102.50	6.99%	Sr Unsecured
SABLE INTL FINANCE LTD	CWCLN	5.75%	9/7/2027	Ba3/ BB-/ BB-	550	103.87	5.09%	Secured
C&W SENIOR FINANCING DAC	CWCLN	6.875%	9/15/2027	B2/ B+/ B+	1,220	102.00	6.52%	Sr Unsecured
VTR COMUNICACIONES SPA	VTRCOM	5.125%	1/15/2028	Ba3/ B+/ BB+	600	104.37	4.43%	Sr. Secured
VTR FINANCE N.V.	VTRFIN	6.375%	7/15/2028	B1/ B/ BB-	550	104.37	5.68%	Secured
LCPR SR SECURED FIN DAC	LILAPR	6.75%	10/15/2027	B1/ (P)B+/ BB-	1,200	104.25	6.01%	1st Lien

Pros:

- Pro-forma liquidity of US$3.5 bn, including US$1.3 bn, US$761 mm unused borrowing capacity, and US$1.3 bn in escrow to fund the AT&T Puerto Rico/USVI acquisition
- Pro-forma LTM net leverage of 4.9x (2.2x secured) with 95%+ of debt maturing after 2024 v. DGL0.5 (HoldCo) at 5.5x (3.4x secured)
- Operating in primarily mature 2-player markets (C&W v. DGL) with bundled triple/quad-play offering
- Strong shareholder support (John Malone, Liberty Global)
- 50,000 km of fiber optic cable w/ 3+ terabit per second (Tbps) capacity
- 3-year Partnership with vendor, Ericsson, deploying cloud-based mobile core network in the Caribbean and Latin America, beginning 2H20

Cons:

- Declining ARPU (-5% y/y, -6% q/q) at C&W and VTR, mainly driven by f/x weakness in Chile
- Cash burn of US$19 mm in 1Q20 on elevated WK, Capex and interest payments
- Highly competitive environment in LILAK's core Caribbean markets (subs. C&W)
- Anticipated short-term weakness as a result of COVID-19 and f/x volatility, particularly at C&W, who accounts for 63% consolidated Adj. OIBDA (1Q20)
- FX risk – High exposure to fluctuation of Jamaican dollar, T&T dollar and Colombian Peso. Revenue predominantly denominated in local currencies.

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

1Q20 Consolidated Results - Liberty Latin America:

- **Mobile subscribers:** 3.62 mm (+3% y/y, -1% q/q)
- **Mobile ARPU:** US$13.32 (-5% y/y, -6% q/q)
  - C&W: US$13.07 (-4% y/y, -6% q/q)
  - VTR: US$16.07 (-20% y/y, -6% q/q), f/x weakness in Chile
- **Revenue:** US$931 mm (-1% y/y, -4% q/q), split between C&W (63%), VTR/Cabletica (26%) and Liberty Puerto Rico (11%)
- **Adj. OIBDA:** US$364 mm (-1% y/y, -4% q/q), split between C&W (64%), VTR/Cabletica (26%) and Liberty Puerto Rico (14%)
- **Adj. OIBDA margin:** 39% (+28 bps y/y, -283 bps q/q)
- **Free cash flow:** -US$19 mm on WK use and heavy interest and capex
  - Interest paid: US$144 mm (+95% q/q), in line with the upper end of company's interest payment cycle
  - Working Capital: -US$77 mm, driven by planned WK deployment tied to B2B and government collections received in 4Q19
  - Capex: US$149 mm (-5% q/q) at 16% capex-to-revenue
- **Gross debt:** US$9.0 bn (+5% q/q) post-refinancing C&W US$1.64 bn term loan with US$1.5 bn '28 term loan and US$150 mm sr. secured notes
  - 93% of LILAK's debt is now due to mature 2024 or later
- **Cash:** US$1.6 bn (+35% q/q), US$562 mm standalone (US$507 mm LILAK, US$56 mm unrestricted subs.) – we assume the entirety will be used to fund the remaining portion of the AT&T acquisition, expected to close 2H20
  - Subsidiary cash: C&W (US$687 mm), VTR (US$211 mm), Cabletica (US$14 mm) and LPR (US$119 mm)
  - Unused borrowing capacity: US$650 mm under subsidiary RCFs
- **Net debt:** US$7.4 bn (+1% q/q)
- **LTM net leverage:** 4.8x, flat q/q

LILAK (US$MM)	1Q20	4Q19	1Q19	y/y	q/q
Homes passed (mm)	**7.58**	**7.52**	**7.23**	**5%**	**1%**
Revenue generating units (RGUs, mm)	**6.10**	**6.05**	**5.78**	**6%**	**1%**
Broadband internet subscribers	2.66	2.61	2.45	8%	2%
Video subscribers	1.99	1.98	1.92	3%	0%
Fixed line telephony subscribers	1.46	1.46	1.40	4%	0%
ARPU (USD):	**47.37**	**48.47**	**47.34**	**0%**	**(2%)**
C&W	47.62	46.79	46.46	2%	2%
VTR/Cabletica	40.74	43.04	48.42	(16%)	(5%)
Liberty Puerto Rico	75.69	76.43	76.79	(1%)	(1%)
Mobile subscribers (mm)	**3.62**	**3.66**	**3.51**	**3%**	**(1%)**
Mobile ARPU (USD):	**13.32**	**14.20**	**14.08**	**(5%)**	**(6%)**
C&W	13.07	13.95	13.58	(4%)	(6%)
VTR	16.07	17.11	20.07	(20%)	(6%)
Revenue	**931**	**975**	**943**	**(1%)**	**(4%)**
Adjusted OIBDA	**364**	**409**	**366**	**(1%)**	**(11%)**
Adjusted OIBDA margin	*39%*	*42%*	*39%*	*28 bps*	*(283 bps)*
Interest paid	(144)	(74)	(155)	(8%)	95%
Taxes paid	(13)	(30)	(22)	(42%)	(58%)
Working capital	(77)	66	(19)	310%	(218%)
Capex	(149)	(157)	(160)	(7%)	(5%)
Free cash flow	**(19)**	**214**	**11**	**(276%)**	**(109%)**
Loans, bonds and finance leases	8,830	8,370	6,748	31%	5%
Operating lease liabilities	191	187	167	14%	2%
Gross debt *	**9,021**	**8,557**	**6,915**	**30%**	**5%**
Cash and equivalents	1,593	1,184	569	180%	35%
Net Debt	**7,428**	**7,374**	**6,346**	**17%**	**1%**
LTM Gross leverage	**5.9x**	**5.6x**	**4.6x**	**1.3x**	**0.3x**
LTM Net leverage	**4.8x**	**4.8x**	**4.2x**	**0.6x**	**0.0x**
Capex-to-revenue	**16%**	**16%**	**17%**	**(90 bps)**	**(9 bps)**

(1) Consolidated reportable segments include 100% of revenues and adj. OIBDA (excl. TSTT), representing LILAK's majority voting control.
(2) Lilak owns less than 100% of Cabletica (80.0%), C&W Panama (49.0%), C&W Bahamas (49.0%) and C&W Jamaica (92.3%)
(3) Gross debt includes operating and finance lease obligations, and excludes premiums, discounts, and deferred financing costs

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

LIBERTY LATIN AMERICA: THROUGH THE LAYERS

LTM 1Q20 (US$MM)	LILAK (Consolidated)	LILAK (Standalone) (2)	Cable & Wireless	VTR/Cabletica	VTR (Standalone)	Cabletica (Standalone)	Liberty Puerto Rico
Ownership (%) (1)			*100%*		*100%*	*80%*	*100%*
Operating Region/Country	*Caribbean/LatAm*		*Caribbean/Panama*	*Chile/Costa Rica*	*Chile*	*Costa Rica*	*Puerto Rico*
Bond Ticker	**LILAK**	" "	**CWCLN**	**n/a**	**VTRFIN**	**n/a**	**LILAPR**
Coupon	**2.00%**	" "	**6.875%**	" "	**6.375%**	" "	**6.75%**
Maturity	**7/15/2024**	" "	**9/15/2027**	" "	**7/15/2028**	" "	**10/15/2027%**
Rating	-/ -/ -	" "	B2/ B+/ B+	" "	B1/ B/ BB-	" "	B1/ (P)B+/ BB-
Amount Out (US$MM)	403	" "	1,220	" "	550	" "	1,200
Rank	Sr. Unsecured	" "	Sr. Unsecured	" "	Secured	" "	1st Lien
Maturity Type	Convertible	" "	Callable (9/15/22)	" "	Callable (7/15/2023)	" "	Callable (10/15/22)
Mid Price (7/17/2020)	82.5	" "	102.0	" "	104.4	" "	104.3
Mid YTM (7/17/2020)	7.12%	" "	6.52%	" "	5.68%	" "	6.01%
Revenue	**3,855**	**(9)**	**2,408**	**1,037**	**663**	**374**	**418**
Adjusted OIBDA	**1,540**	**11**	**916**	**420**	**255**	**165**	**192**
Adjusted OIBDA margin	*40%*	-	*38%*	*40%*	*38%*	*44%*	*46%*
Interest paid	(433)	n/a	(247)	n/a	(79)	n/a	(62)
Taxes paid	(121)	" "	(57)	" "	(34)	" "	(5)
Working capital	(222)	" "	(93)	" "	(119)	" "	22
Capex	(579)	" "	(324)	" "	(110)	" "	(78)
Free cash flow	**184**	" "	**197**	" "	**(87)**	" "	**69**
Notes & Credit Facilities	8,807	403	4,463	1,679	1,556	124	2,263
Vendor Financing	168	14	86	n/a	68	n/a	-
Operating and Finance Lease Liabilties	194	54	119	" "	17	" "	4
Premiums, Discounts, Deferred Financing Costs, net	(148)	(77)	(32)	" "	(14)	" "	(26)
Gross Debt	**9,021**	**395**	**4,636**	**1,679**	**1,626**	**124**	**2,241**
Net Debt	**7,427**	**(168)**	**3,949**	**1,455**	**1,415**	**110**	**2,121**
Gross Leverage	**5.9x**	**34.3x**	**5.1x**	**4.0x**	**6.4x**	**0.7x**	**11.7x**
Net Leverage	**4.8x**	**(14.6x)**	**4.3x**	**3.5x**	**5.5x**	**0.7x**	**11.1x**
Secured Debt	4,851	-	2,064	1,587	1,464	124	1,200
Secured Gross Leverage	**3.2x**	-	**2.3x**	**3.8x**	**5.7x**	**0.7x**	**6.3x**
Secured Net Leverage	**2.1x**	-	**1.5x**	**3.2x**	**4.9x**	**0.7x**	**5.6x**
Cash and Equivalents	**1,593**	**562**	**687**	**225**	**211**	**14**	**119**
Unused Borrowing Capacity	761	-	426	272	257	15	63
Cash Held in Escrow	1,276	17	-	-	-	-	1,260
Liquidity	**3,631**	**579**	**1,113**	**497**	**468**	**29**	**1,442**
Capex-to-Revenue	**15%**	**n/a**	**13%**	**n/a**	**17%**	**n/a**	**19%**
Cash-to-LTM Revenue	**41%**	" "	**29%**	**22%**	**32%**	**4%**	**29%**
Liquidity to LTM Revenue	**94%**	" "	**46%**	**48%**	**71%**	**8%**	**345%**

(1) Consolidated reportable segments include 100% of revenues and adj. OIBDA (excl. TSTT), representing LILAK's majority voting control. Lilak owns less than 100% of Cabletica (80.0%), C&W Panama (49.0%), C&W Bahamas (49.0%) and C&W Jamaica (92.3%)

(2) Est. Lilak standalone performance may include Cabletica operations (limited disclosure). Gross debt includes operating and finance lease obligations (excl. Cabletica, data unavailable), and excludes premiums, discounts, and deferred financing costs

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

PRO-FORMA DEBT BREAKDOWN

Pro-Forma Debt (US$MM)	Currency	Ticker	Interest	Maturity	Rank	Pro-Forma Unused Capacity (1)	Pro-Forma Debt Outstanding	1Q20 Debt Outstanding
LILAK							403	403
Convertible Notes	USD	LILAK	2%	7/15/24	Sr. Unsecured	-	403	403
C&W							4,463	4,463
2027 C&W Senior Secured Notes	USD	CWCLN	5.75%	9/7/27	Secured	-	550	550
2026 C&W Senior Notes	USD	CWCLN	7.5%	10/15/26	Sr. Unsecured	-	500	500
2027 C&W Senior Notes	USD	CWCLN	6.875%	9/15/27	Sr. Unsecured	-	1,220	1,220
C&W Credit Facilities:							2,193	2,193
C&W revolving credit facility	*USD*		*LIBOR + 3.25%*	*6/23 & 1/26 (8%, 92%)*		*312*	*313*	*313*
C&W term loan B-5 facility	*USD*		*LIBOR + 2.25%*	*1/31/28*	*Sr. Secured*	*-*	*1,514*	*1,514*
C&W regional facilities	*USD/T&T*		*4.463%*	*'20 - '38*		*114*	*366*	*366*
VTR							1,369	1,556
VTR Finance Senior Notes (Refinanced)	USD	VTRFIN	6.875%	1/15/24	1st Lien	-	-	1,260
VTR Comunicaciones Senior Secured Notes	USD	VTRCOM	5.125%	1/15/28	Sr. Secured	-	600	-
VTR Finance Senior Unsecured Notes	USD	VTRFIN	6.375%	7/15/28	Secured	-	550	-
VTR Credit Facilities:							219	296
VTR TLB-1 facility	*CLP*		*ICP + 3.80%*	*11/22 & 5/23 (50%)*		*-*	*177*	*165*
VTR TLB-2 facility	*CLP*		*7%*	*5/23/23*		*-*	*42*	*39*
VTR RCF-A	*CLP*		*TAB + 3.35%*	*5/23/23*		*57*	*-*	*-*
VTR RCF-B	*USD*		*LIBOR + 2.75%*	*3/14/26*		*200*	*-*	*92*
Cabletica							122	124
Cabletica Credit Facilities:							122	124
Cabletica term loan B-1 facility	*USD*		*LIBOR + 5%*	*4/23 & 10/23 (50%)*		*-*	*49*	*49*
Cabletica term loan B-2 facility	*CRC*		*TBP + 6%*	*4/23 & 10/23 (50%)*		*-*	*73*	*74*
Cabletica revolving credit facility	*USD*		*LIBOR + 4.25%*	*10/5/23*		*15*	*-*	*-*
Liberty Puerto Rico							2,353	2,263
LPR Senior Secured Notes (2)	USD	LILAPR	6.750%	10/15/27	1st Lien	-	1,290	1,200
LPR Credit Facilities:							1,063	1,063
2019 LPR revolving credit facility	*USD*		*LIBOR + 3.5%*	*10/15/25*		*63*	*63*	*63*
2026 SPV credit facility	*USD*		*LIBOR + 5%*	*10/15/26*		*-*	*1,000*	*1,000*
Vendor Financing		-					168	168
Operating and Finance Lease Liabilities							194	194
Premiums, Discounts, Deferred Financing Costs, net							(148)	(148)
Gross Debt at LILAK (3)							**8,923**	**9,021**
Secured Debt							**4,845**	**4,851**
Consolidated Cash & Equivalents							1,391	1,593
Net Debt at LILAK							**7,531**	**7,427**
LTM EBITDA							1,540	1,540
Gross Leverage							5.8x	5.9x
Net Leverage							**4.9x**	**4.8x**
Secured Gross Leverage							3.1x	3.2x
Secured Net Leverage							**2.2x**	**2.1x**

(1) Consolidated pro-forma unused borrowing capacity of US$761 mm includes US$426 mm (C&W), US$257 mm (VTR), US$15 mm (Cabletica), US$63 mm (LPR)
(2) Gross debt includes operating and finance lease obligations (excl. Cabletica, data unavailable), and excludes premiums, discounts, and deferred financing costs. F/x as of 7/16/20

<u>Post-1Q20 Financing Transactions:</u>

- Refinancing of US$1,260 mm 1st lien VTRFIN 6.875% 24s with
  - US$600 mm Sr. Secured VTRCOM 5.125% 28s
  - US$550 mm Secured VTRFIN 6.375% 28s
- Contribution of 80% stake in Cabletica S.A. into VTR Finance NV credit pool, expected to be completed in 1Q21
- Upsizing of VTR's USD RCF from US$185 mm to US$200 mm
- Repayment of US$92 mm drawn under VTR's USD RCF in 1Q20
- Issuance of additional US$90 mm under LPR's existing US$1.2 bn in 1st lien LILAPR 6.75% 27s
  - Total net proceeds deposited into escrow (restricted cash) to fund US$1.95 bn acquisition of AT&T Puerto Rico/USVI, expected to close 2H20
  - LCPR required to redeem a portion of LPR Senior Secured Notes at 102.5% if acquisition not consummated before Long-Stop-Date (April 9, 2021)

<u>Other Recent Financing Transactions:</u>

- Repayment of US$1,640 mm C&W Term Loan B-4 Facility with
  - new US$1,150 mm C&W Term Loan B-5 Facility (LIBOR + 2.25%), maturing 2028
  - US$150 mm upsizing of C&W's US$400 mm Secured CWCLN 5.75% 27s, issued under Sable
- US$313 mm drawdown of C&W's US$625 mm RCF, with extension of maturity of 92% of principal from June '23 to Jan. '26
- US$63 mm drawdown under LPR's 2019 RCF, maturing Oct. '25

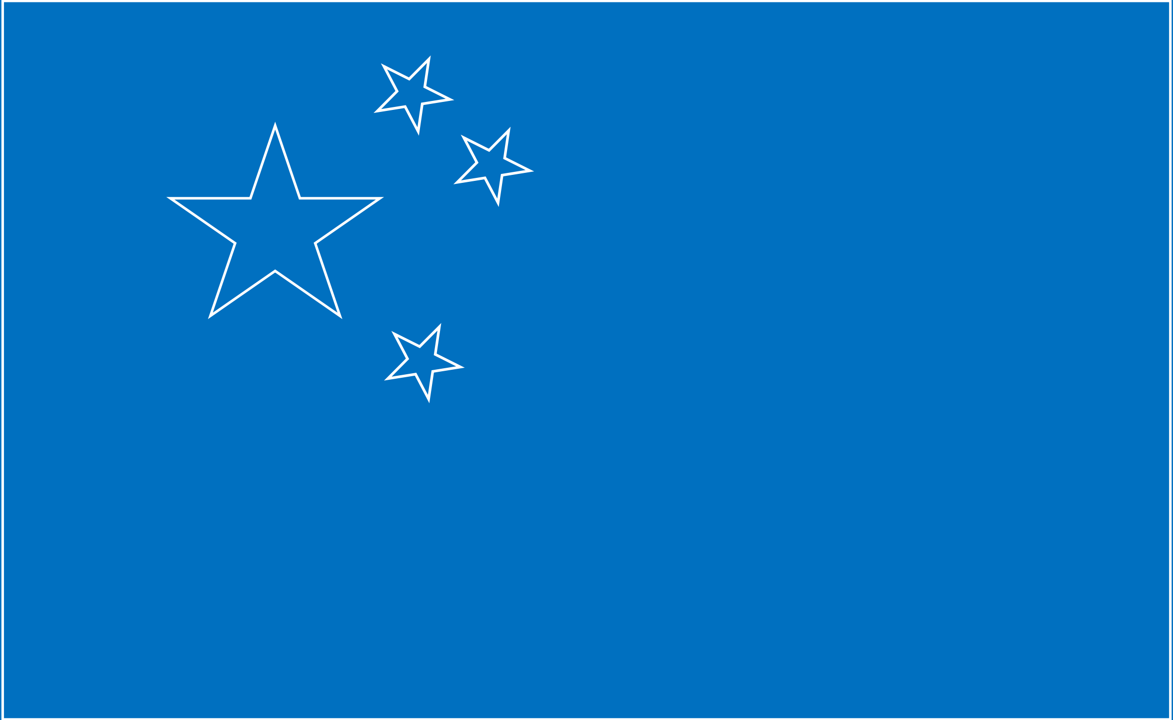
MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

LIBERTY LATIN AMERICA v. DIGICEL GROUP LIMITED

Pro-Forma LTM 1Q20 (US$MM) (1)	LILAK	C&W	VTR	LPR	DGL	DL	DIFL
	HoldCo	OpCo	OpCo	OpCo	HoldCo	OpCo	OpCo
Ownership (%) (1)		*100%*	*100%*	*100%*		*100%*	*100%*
Operating Region/Country	*Caribbean/LatAm*	*Caribbean/Panama*	*Chile*	*Puerto Rico*	*Caribbean*	*Caribbean*	*Caribbean*
Bond Ticker	**LILAK**	**CWCLN**	**VTRFIN**	**LILAPR**	**DLLTD (DGL0.5)**	**DLLTD (DL)**	**DIFL**
Coupon	**2.00%**	**6.875%**	**6.375%**	**6.75%**	**10% (8% cash+ 2% PIK)**	**7%**	**8.750%**
Maturity	**7/15/2024**	**9/15/2027**	**7/15/2028**	**10/15/2027%**	**4/1/2024**	**3/1/2023**	**5/25/2024**
Rating	-/ -/ -	B2/ B+/ B+	B1/ B/ BB-	B1/ (P)B+/ BB-	Caa3/ -/ CCC	Caa2/ -/ C	Caa1/ -/ CCC+
Amount Out (US$MM)	403	1,220	550	1,200	941	925	1,226 (600 and 626)
Rank	Sr. Unsecured	Sr. Unsecured	Secured	1st Lien	Secured	Sr Unsecured	1st Lien
Maturity Type	Convertible	Callable (9/15/22)	Callable (7/15/2023)	Callable (10/15/22)	Callable (8/02/20)	Callable (6/29/2020)	Callable (5/25/2021)
Mid Price (7/17/2020)	82.5	102.0	104.4	104.3	71.2	60.6	99.5
Mid YTM (7/17/2020)	7.12%	6.52%	5.68%	6.01%	21.73%	29.34%	8.90%
BCP Rating	**Market Outperform**	-	-	-	-	**Positive**	-
BCP Publication	**Top Picks**	-	-	-	-	**High Octane**	-
Revenue	**3,855**	**2,408**	**663**	**418**	**2,291**	**1,804**	**1,804**
Adjusted EBITDA	**1,540**	**916**	**255**	**192**	**1,004**	**800**	**810**
Adjusted OIBDA margin	*40%*	*38%*	*38%*	*46%*	*44%*	*44%*	*45%*
Interest paid	(433)	(247)	(79)	(62)	(437)	(271)	(130)
Taxes paid	(121)	(57)	(34)	(5)	(138)	(108)	(108)
Working capital	(222)	(93)	(119)	22	(20)	(36)	(38)
Capex	(579)	(324)	(110)	(78)	(323)	(268)	(268)
Free cash flow	**184**	**197**	**(87)**	**69**	**86**	**117**	**265**
Gross Debt (2)	**8,923**	**4,636**	**1,561**	**2,331**	**5,764**	**4,089**	**3,157**
Net Debt	**7,531**	**3,949**	**1,553**	**2,211**	**5,513**	**3,921**	**2,990**
Gross Leverage	**5.8x**	**5.1x**	**6.1x**	**12.2x**	**5.7x**	**5.1x**	**3.9x**
Net Leverage	**4.9x**	**4.3x**	**6.1x**	**11.5x**	**5.5x**	**4.9x**	**3.7x**
Secured Debt	4,845	2,064	1,369	1,290	3,665	2,590	2,590
Secured Gross Leverage	**3.1x**	**2.3x**	**5.4x**	**6.7x**	**3.7x**	**3.2x**	**3.2x**
Secured Net Leverage	**2.2x**	**1.5x**	**5.3x**	**6.1x**	**3.4x**	**3.0x**	**3.0x**
Cash and Equivalents	**1,391**	**687**	**9**	**119**	**251**	**168**	**167**
Unused Borrowing Capacity (3)	761	426	257	63	-	-	-
Cash Held in Escrow (4)	1,366	-	-	1,350	-	-	-
Liquidity	**3,519**	**1,113**	**266**	**1,532**	**251**	**168**	**167**
Capex-to-Revenue	**15%**	**13%**	**17%**	**19%**	**14%**	**15%**	**15%**

(1) DGL, DL and DIFL LTM 1Q20 corresponds with Digicel Group Limited LTM 4Q20 (end- March 2020)
(2) Gross debt includes operating and finance lease obligations (excl. Cabletica, data unavailable), and excludes premiums, discounts, and deferred financing costs. F/x as of 7/16/20
(3) Consolidated pro-forma unused borrowing capacity of US$761 mm at Lilak. Includes US$426 mm (C&W), US$257 mm (VTR), US$15 mm (Cabletica), US$63 mm (LPR)
(4) Cash held in escrow at Lilak (LPR) of US$1.2 bn to be used towards funding of US$1.95 bn acquisition of AT&T Puerto Rico/USVI



CHINA

MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

	Ranking	Amt Out (US$ mm)	Ratings (M/SP/F)	Mid Price	Mid YTM
CARINC 6% 2/11/2021	Company Guarnt	300	Caa1/CCC/WD	90.75	24.80%
CARINC 8.875% 5/10/2022	Sr Unsecured	372	Caa1/CCC/-	84.51	19.45%

Car Inc (699 HK) is the largest car rental company in China with 17% market share. In 1Q20, the company's fleet had 142k vehicles, expected to decrease to 114k in next three quarters with US$235mm proceeds from used car sales. Gross debt decreased 23% q/q to US$1.7bn in 1Q20 and is expected to decrease US$227~370mm over the next three quarters. UCAR is one of Car Inc's main shareholders and is affiliated with Luckin, where an accounting scandal surfaced earlier in the year. In the wake of the scandal, Car Inc has accelerated its efforts to reduce short term debt and UCAR is seeking to sell its interest to other members of the control group and a strategic partner. The ongoing negotiation between UCAR, Warburg Pincus with a SASAC-BAIC JV looks promising, as BAIC Group as well as other local car manufacturers intend to enhance their presence in car service business.

Pros

- Management's strong willingness to shrink fleet size to repay debt in 2020.
- A JV with strong state background to potentially become a shareholder and likely improve access to bank financing.
- Over the past twelve months, net debt is lower despite growth in fleet
- Market-leading position and strong brand recognition.
- There are 380 million licensed drivers in China and the number is growing by 24m per year. But there are only 340m individually owned cars, growing by only 10m per year. There is a growing shortage of cars for licensed drivers.
- High EBITDA margin. High percentage of self-service transactions (87%).
- Minimal WK investment other than fleet expansion.
- Fleet is unsecured. Simple capital structure.
- Traffic ticket reform making rental cars more attractive for non-local users.
- Restriction on travelling outside provinces removed on July 14.

Cons

- Difficulty in refinancing local loans after Luckin scandal.
- High reliance on selling used vehicles to repay STD.
- Capital intensive business due to fleet growth and maintenance required investments.
- Cars are not easily pledged and as a result secured financing is less available.
- Founder's other cash-burning businesses may restrain resources available for Car Inc.
- USD bonds structurally subordinated to onshore borrowings of US$728mm (mostly CNY unsecured) and US$250mm CNY bonds.
- In April, bonds downgraded by S&P to CCC with negative outlook due to declining access to financing.

MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

1Q20 Financials

- Amid COVID-19 epidemic: rental revenue decreased 37% y/y to US$136mm. Sales of used cars decreased 7% y/y to US$54mm. Total revenue decreased 31% y/y to US$190mm.
  - Number of used cars sold increased 45% y/y to 6,469. ASP per used car decreased 36% y/y to US$8,371.
  - RevPAC decreased 40% y/y to US$12.
- Gross margin and LTM EBITDA margin both decreased significantly y/y to 32% and 43%, respectively.
- Gross margin on used car sales was stable y/y at negative 3%, indicating the drop in ASP was not a result in discounting but rather successful monetization of lower end vehicles in the fleet
- This is consistent with management commentary that inexpensive used cars are being sought as an alternative to mass transit as epidemic fears linger
- Counter cyclical aspects of the business model are evident: over the last 12 months, fleet is larger and net debt is lower
- Reported adj EBITDA decreased 45% y/y to US$78mm.
- Calculated FCF turned positive US$88mm, on cash generation from used car sales.
  - The company sold 6,469 used cars and purchased under 700 new vehicles resulting in US$36mm cash inflow.
  - The company plans to sell 35,000 used cars in 2020 and purchase very few new vehicles.
  - Over the coming three quarters, this strategy is expected to generate US$235mm in cash.

Fleet	1Q20	4Q19	1Q19	yoy	qoq
Fleet size at period end	141,708	148,894	137,943	3%	(5%)
Vehicles disposed	6,469	12,050	4,462	45%	(46%)
Utilization rate	48%	50%	60%	(1,200 bps)	(170 bps)
ADRR (US$)	25	27	33	(25%)	(8%)
RevPAC (US$)	12	14	20	(40%)	(12%)

Income Statement (US$ mm)	1Q20	4Q19	1Q19	yoy	qoq
Revenue	190	282	274	(31%)	(33%)
- rental revenue	136	163	216	(37%)	(17%)
- sales of used vehicles	54	119	58	(7%)	(54%)
Reported adj EBITDA	78	96	142	(45%)	(18%)
EBITDA margin	41%	34%	52%	(1,050 bps)	728 bps
LTM EBITDA margin	43%	45%	51%	(822 bps)	(248 bps)
Gross margin	32%	24%	48%	(1,642 bps)	736 bps

FCF (US$ mm)	1Q20	4Q19	1Q19	yoy	qoq
Reported adj EBITDA	78	96	142	(45%)	(18%)
WK investment	44	90	(115)	(139%)	(51%)
Capex - PPE	(5)	(5)	(5)	(13%)	(1%)
Net interest paid	(30)	(31)	(29)	5%	(4%)
Change in deposits	0	3	2	(100%)	(100%)
FCF	88	153	(5)	(1949%)	(43%)

MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

1Q20 Financials

- Gross debt decreased 23% q/q to US$1,650mm, including:
  - US$728mm borrowings.
  - US$672mm USD bonds.
  - US$250mm CNY bonds.
- On a call after the Luckin event, Car Inc's management planned to cut gross debt by US$714~857mm in 2020, implying a further US$227~370mm reduction over the next three quarters.
  - Over that timeframe, US$145mm in CNY bonds and ~US$336mm borrowings will mature.
  - US$235mm cash from used cars sales, plus rental revenue, are expected to fund the debt reduction.
- Total cash decreased 45% q/q to US$466mm as compared to US$634mm STD.
- Net debt decreased 8% q/q to US$1,183mm.
- LTM gross leverage decreased q/q to 3.8x. LTM net leverage increased q/q to 2.7x.

Debt (US$ mm)	1Q20	4Q19	1Q19	yoy	qoq
Gross debt	1,650	2,137	1,956	(16%)	(23%)
- STD	634	839	1,210	(48%)	(24%)
- LTD	1,015	1,298	746	36%	(22%)
Total cash	466	845	629	(26%)	(45%)
- cash & equivalents	466	770	514	(9%)	(39%)
- restricted cash	-	75	37	-	-
- other ST financial assets	-	-	78	-	-
Net debt	1,183	1,292	1,328	(11%)	(8%)
LTM gross leverage	3.8x	4.3x	3.9x	(0.1x)	(0.5x)
LTM net leverage	2.7x	2.6x	2.6x	0.1x	0.1x

1Q20 Debt (US$ mm)	1Y	2Y	3-5Y
Borrowings	336	131	261
CNY bonds*	145	105	-
CARINC 21s	299	-	-
CARINC 22s	-	-	374
Total	779	236	635

**Assuming all holders of two CNY corp bonds exercise put option in April 2020.*

MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

UCAR Selling Stake After Luckin Event

- On April 2, Luckin Coffee ("Luckin"), affiliated with Car Inc through common controlling shareholder UCAR, announced that a Special Committee comprised of three independent board directors found that Luckin's COO fabricated US$314mm in 2019 revenue (later confirmed and revised to US$302mm), which represented 56% of annualized reported revenue. After the event, UCAR began a process to sell its interest in Car Inc to other shareholders and outside investors.
  - On July 20, Warburg Pincus and UCAR announced an agreement their 29% interest in Car Inc to a BAIC Group's onshore affiliate (or its designated party). The new bidder is 40% owned by BAIC Group (parent company of previous bidder BAIC Ltd), 30% by Jiangxi Provincial SASAC and 30% by a local PE. According to an announcement from UCAR, a share purchase deal has been signed, priced at HKD 3.1 per share (same with SAIC agreement), and closing is subject to certain undisclosed conditions.
  - Separately, securities regulator CSRC has opened an investigation into UCAR disclosure practices, possibly due to the series of announced and unconsummated share sale transactions. The new buyer has strong state background with previous investment in automobile sector.
- Change of control:
  - Occurrence of a change-of-control event AND rating decline subsequent to the event would trigger early redemption of 21s and 22s at 101c.
  - CoC event: after the SASAC-BAIC deal, Chairman Zhengyao Lu (who is the controlling shareholder of UCAR) and Legend Holding together will have 27% stake in Car Inc, which is lower than 35% threshold.
  - We see a subsequent rating decline resulting from the share sale as unlikely given the strong profile of the new buyer.
  - Accordingly, we do not think the early redemption conditions will be triggered.
- While difficult to be certain, we see multiple signs Car Inc could be isolated from the malfeasance at UCAR's Luckin affiliate. Car Inc has a different, Hong Kong based auditor, a lack of personnel overlap and a non-affiliated shareholder, Warburg Pincus, which increased its participation in the Luckin aftermath. As the largest car rental company in PRC, Car Inc could enhance auto OEMs' presence in the car service business. Furthermore, in the past partnerships between rental companies and OEMs have offered mutual benefits in the form of auto sales and fleet management.

Major Shareholders In Car Inc and Pro Forma Interest:

Date	Deal	Stake Transferred	Seller->Buyer	UCAR	WP	Legend	BAIC Ltd	SASAC-BAIC Group	SAIC
12/31/2019	-	-	-	25.92%	10.11%	26.59%	0.00%	0.00%	0.00%
04/22/2020	1st tranche deal	4.65%	UCAR->WP	21.27%	14.75%	26.59%	0.00%	0.00%	0.00%
	2nd tranche deal (did not close)	12.46%	UCAR->WP	8.81%	27.21%	26.59%	0.00%	0.00%	0.00%
06/01/2020	BAIC Ltd deal (did not close)	21.26%	UCAR->BAIC Ltd	0.01%	14.75%	26.59%	21.26%	0.00%	0.00%
06/23/2020	UCAR sold stake to market	0.33%	UCAR->mkt	20.94%	14.75%	26.59%	0.00%	0.00%	0.00%
	UCAR sold stake to market	Est 0.07%	UCAR->mkt	20.87%	14.75%	26.59%	0.00%	0.00%	0.00%
07/02/2020	SAIC deal (did not close)	20.87%	UCAR->SAIC Ltd	0.00%	14.75%	26.59%	0.00%	0.00%	20.87%
	SAIC deal (did not close)	8.05%	WP->SAIC Ltd	0.00%	6.70%	26.59%	0.00%	0.00%	28.92%
07/20/2020	SASAC-BAIC deal (ongoing)	20.87%	UCAR->SASAC-BAIC	0.00%	14.75%	26.59%	0.00%	20.87%	0.00%
	SASAC-BAIC deal (ongoing)	8.05%	WP->SASAC-BAIC	0.00%	6.70%	26.59%	0.00%	28.91%	0.00%

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22

	Ranking	Amt Out (US$ mm)	Ratings (M/SP/F)	Mid Price	Mid YTM
KAISAG 6.75% 18/02/2021	Sr Secured	400	-/-/-	100.18	6.41%
KAISAG 11.75% 26/02/2021	Sr Secured	400	B2/-/-	103.00	6.52%
KAISAG 7.875% 09/06/2021	Sr Secured	300	-/-/-	100.55	7.20%
KAISAG 7.875% 30/06/2021	Sr Secured	400	-/-/-	100.57	7.24%
KAISAG 11.25% 09/04/2022	Sr Secured	550	B2/-/-	104.75	8.21%
KAISAG 8.5% 30/06/2022	Sr Secured	1147	-/-/B	99.89	8.56%
KAISAG 11.95% 22/10/2022	Sr Secured	600	B2/-/B	99.00	12.45%
KAISAG 11.5% 30/01/2023	Sr Secured	700	B2/-/B	97.00	12.93%
KAISAG 10.875% 23/07/2023	Sr Secured	450	B2/-/B	94.00	13.37%
KAISAG 9.75% 28/09/2023	Sr Secured	400	B2/-/-	98.49	10.29%
KAISAG 11.95% 12/11/2023	Sr Secured	300	B2/-/B	96.50	13.28%
KAISAG 9.375% 30/06/2024	Sr Secured	3051.5	B2/-/-	92.25	11.89%
KAISAG 10.5% 15/01/2025	Sr Secured	500	B2/-/B	95.15	11.93%
KAISAG 11.25% 16/04/2025	Sr Secured	300	B2/-/-	96.78	12.13%
KAISAG 9.95% 23/07/2025	Sr Secured	300	B2/-/B	92.41	12.01%

Kaisa Group Holdings (1638 HK) is a Chinese residential property developer that focuses on the affluent Greater Bay Area in southern China and other Tier 1 & 2 cities in eastern China, with high ASP of US$2,835 per sqm. Kaisa is renowned for its profitable city gentrification projects (or Urban Renewal Projects, "URP") that are not included in land bank. URPs contribute 38% of contracted sales, with higher gross margin relative to common residential projects. In 2015, the company was involved in an anti-corruption campaign against Jiang Zunyu, a former high-ranking official in Shenzhen, and Kaisa projects were briefly prohibited from being sold. As a result, Kaisa became the first PRC developer to defaulted on offshore borrowings. Bonds were exchanged on par for par plus accrued basis. In March 2017, Kaisa stock resumed trading. In FY19, the attributable contracted sales increased 26% y/y, while most other developers had much slower growth. In 2H19, EBITDA increased 3% y/y. Total Funded Liabilities / Land Bank decreased h/h to 84%. In April, the management expected breakeven cash flow in 2020. Current market cap is US$2.3bn.

Shareholders

- Founder's family (Kwok Ying Shing's family) holds 39% interest. Funde Sino Life Insurance, which controlled by its founder Zhang Jun, holds 25%. The rest 35% floating.

Pros

- Attributable contracted sales increased 4% y/y in 1H20 (industry: 12% decrease in first five months), shaking off impact from COVID-19 epidemic.
- Valuable URP not included on balance sheet provides high quality land bank in tier 1 & 2 cities.
- High ASP amid COVID-19 epidemic stands out among peers.
- Low net WK as % net debt.
- Cash in excess of STD.
- Leverage steadily declining.
- Political risk has subsided.

Cons

- Tightened HPR restriction in Shenzhen may affect demand from new settlers.
- Leverage remains high relative to peers.
- USD bonds accounted for half of capital structure.
- URP business relies on government relations and has inherent related risk.
- Higher Pledged Assets / Gross Debt than peers.

KAISAG 8.5% 22

2H19 Financials

- In 2019, 34% of contracted sales was in Shenzhen, 27% was in GBA excluding Shenzhen. 38% came from URP.
- In 2H19, attributable contracted sales increased 17% y/y to US$8bn. GFA increased 11% y/y to 3m sqm. ASP increased 5% y/y to US$2,835 per sqm.
  - According to the management, 61% of annual contracted sales came from GBA, and 38% came from URP.
  - Contracted sales guidance for 2020 was US$14bn, representing 13% y/y growth.
- Revenue increased 15% y/y to US$3,973mm. Reported EBITDA increased 3% y/y to US$1,224mm.
- Gross and EBITDA margin both declined y/y to 26% and 31%. According to the management the margin decline was due to recognition of sales from low-margin projects
- Guarantee to homebuyers' mortgages increased 5% h/h to US$4,671mm, which was equal to 28% of gross debt, compared with 29% in 1H19. The percentage is low compared relative to other PRC property developers.

Contracted Sales (US$ mm)	2H19	1H19	2H18	y/y	h/h
Attributable contracted sales	7,605	5,112	6,521	17%	49%
y/y	17%	29%	95%	(82%)	(42%)
GFA (msqm)	2.7	2.0	2.4	11%	37%
ASP (US$ per sqm)	2,835	2,608	2,694	5%	9%
Income Statement (US$ mm)	**2H19**	**1H19**	**2H18**	**y/y**	**h/h**
Revenue	3,973	2,963	3,451	15%	34%
COGS	(2,959)	(1,974)	(2,519)	17%	50%
SG&A	(469)	(303)	(306)	53%	55%
D&A	54	52	33	67%	5%
EBITDA reported	1,224	1,198	1,185	3%	2%
Gross margin	26%	33%	27%	(148 bps)	(785 bps)
EBITDA margin	31%	40%	34%	(355 bps)	(963 bps)
Guarantees (US$ mm)	**2H19**	**1H19**	**2H18**	**y/y**	**h/h**
Mortgage guarantee	4,671	4,874	4,458	5%	(4%)
Guarantee / Gross debt	28%	29%	28%	(44 bps)	(122 bps)

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22

2H19 Land Bank Financing

- Excess book value increased 22% h/h to US$4,028mm on less WK liabilities and net debt.
  - Net WK balance decreased 17% h/h to US$4,944mm on less customer advances and more A/R.
  - Land bank was flat h/h at US$25,023mm.
  - Sequential decrease in PUD was offset by increase in JVs and prepayments。
- The company had total US$76bn saleable resources including US$26bn in 2020.
  - 66% of total saleable and 55% of 2020 saleable resources located in GBA.
  - 26% of saleable resources in 2020 was to be converted from URP.

2H19 Land Bank & URP Reserve[1]

- In 2H19, the company had URP with 39.9 m sqm site area, most located in GBA. URP reserve is usually converted into land bank with 4~5 plot ratio.
- GFA of land bank was 26.7 m sqm, 6.7 m of which was converted from URP.
- In 2019, 0.72m sqm GFA URP was converted into land bank and 0.87m sqm to be converted in 2021. Annual target was 0.8 ~ 1 m sqm.
  - Guided ASP of 0.72 m sqm URP conversion in 2019 was US$6,928, equal to 2.6x Kaisa's overall ASP.

Land bank financing (US$ mm)	2H19	1H19	2H18	y/y	h/h
Sellable properties	1,868	2,435	1,909	(2%)	(23%)
A/R	4,805	3,798	3,286	46%	27%
A/P	(2,082)	(1,821)	(1,832)	14%	14%
Other A/P	(3,879)	(3,769)	(2,896)	34%	3%
Customer advances	(5,657)	(6,603)	(5,692)	(1%)	(14%)
Net WK balance	(4,944)	(5,960)	(5,225)	(5%)	(17%)
				-	-
PUD	9,144	9,759	9,415	(3%)	(6%)
Deposits for land acquisition	2,857	3,173	2,827	1%	(10%)
Prepayments	3,415	2,849	2,774	23%	20%
Investment properties	5,071	5,207	5,224	(3%)	(3%)
PPE	692	458	444	56%	51%
Land use rights	108	98	97	11%	10%
Investment in associates	1,712	1,789	1,028	66%	(4%)
Investment in JVs	2,024	1,598	1,261	60%	27%
Land bank	25,023	24,932	23,071	8%	0%
				-	-
Net WK balance	(4,944)	(5,960)	(5,225)	(5%)	(17%)
Net debt	(11,744)	(12,654)	(12,490)	(6%)	(7%)
NCI	(4,307)	(3,026)	(2,137)	-	42%
Land bank	25,023	24,932	23,071	8%	0%
Excess book value	4,028	3,292	3,219	25%	22%
Funded liabilities / land bank	**84%**	**87%**	**86%**	(214 bps)	(289 bps)
Net WK / net debt	42%	47%	42%	27 bps	(500 bps)

Land & URP[1] Reserve (msqm)	2H19	1H19	2H18	y/y	h/h
Land bank GFA	26.8	25.8	24.0	11%	4%
- converted from URP	6.7	7.3	-	-	(8%)
URP land reserve site area	39.9	32.2	30.1	33%	24%
- in GBA	39.5	32.2	29.9	32%	23%

Notes:
(1) URP (Urban Renewal Project) reserve is not included land bank because the company is still negotiating with residents to buy their land use right.

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22

2H19 Debt Profile

- All senior notes were secured by shares of subsidiaries outside PRC. Since almost all Kaisa's assets and operations were inside PRC, senior notes should be considered as unsecured and subordinated to onshore debt.
- According to the management, Kaisa has the following off-balance-sheet debt & cash:
    - US$3.1bn gross debt including US$1.5bn attributable.
    - US$0.5bn cash.
- Gross debt was flat h/h at US$16,831mm, including:
    - US$8bn USD bonds, representing 49% of gross debt.
    - US$6bn bank borrowings, mostly onshore secured.
    - US$3bn other borrowings, mostly onshore secured.
    - US$117mm convertible bond and affiliated borrowings.
    - Offshore debt was 51% of gross debt. The percentage was 36% in 2017.
- Total cash (excluding LT bank deposits) increased 22% h/h to US$5,087mm.
- Net debt decreased 7% h/h to US$11,744mm.
- LTM gross and net leverage both decreased h/h to 7.0x and 4.8x.
    - Considering the stated off-balance-sheet cash & debt, LTM gross and net leverage would be 7.2x and 5.2x.

Debt (US$ mm)	2H19	1H19	2H18	y/y	h/h
Gross debt	16,831	16,826	15,812	6%	0%
- ST	4,580	3,269	2,466	86%	40%
- LT	12,251	13,557	13,346	(8%)	(10%)
Total cash	5,087	4,172	3,322	53%	22%
Net debt	11,744	12,654	12,490	(6%)	(7%)
				-	-
Gross debt/equity	2.1x	2.6x	3.0x	(0.9x)	(0.5x)
Net debt/equity	1.5x	1.9x	2.4x	(0.9x)	(0.5x)
LTM gross leverage	7.0x	7.1x	6.9x	0.0x	(0.1x)
LTM net leverage	4.8x	5.3x	5.5x	(0.6x)	(0.5x)

Debt Profile (US$ mm)	2H19	1H19	2H18	y/y	h/h
Gross debt	16,831	16,826	15,812	6%	0%
(1) funding sources				-	-
Senior notes	8,102	6,751	5,776	40%	20%
Secured bank borrowings	5,243	6,105	5,495	(5%)	(14%)
Unsecured bank borrowings	504	566	1,183	(57%)	(11%)
Secured other borrowings	2,324	2,683	2,457	(5%)	(13%)
Unsecured other borrowings	540	538	706	(24%)	0%
Unsecured loans from affiliates	16	16	16	(1%)	(1%)
Unsecured loans from associates	1	69	180	(100%)	(99%)
Convertible bond	101	98	-	-	3%
(2) onshore/offshore					
Onshore bank borrowings	5,554	6,394	6,325	(12%)	(13%)
Onshore non-bank borrowings	2,693	3,365	3,479	(23%)	(20%)
Offshore bank borrowings	337	337	158	113%	0%
Offshore bonds	8,247	6,730	5,851	41%	23%

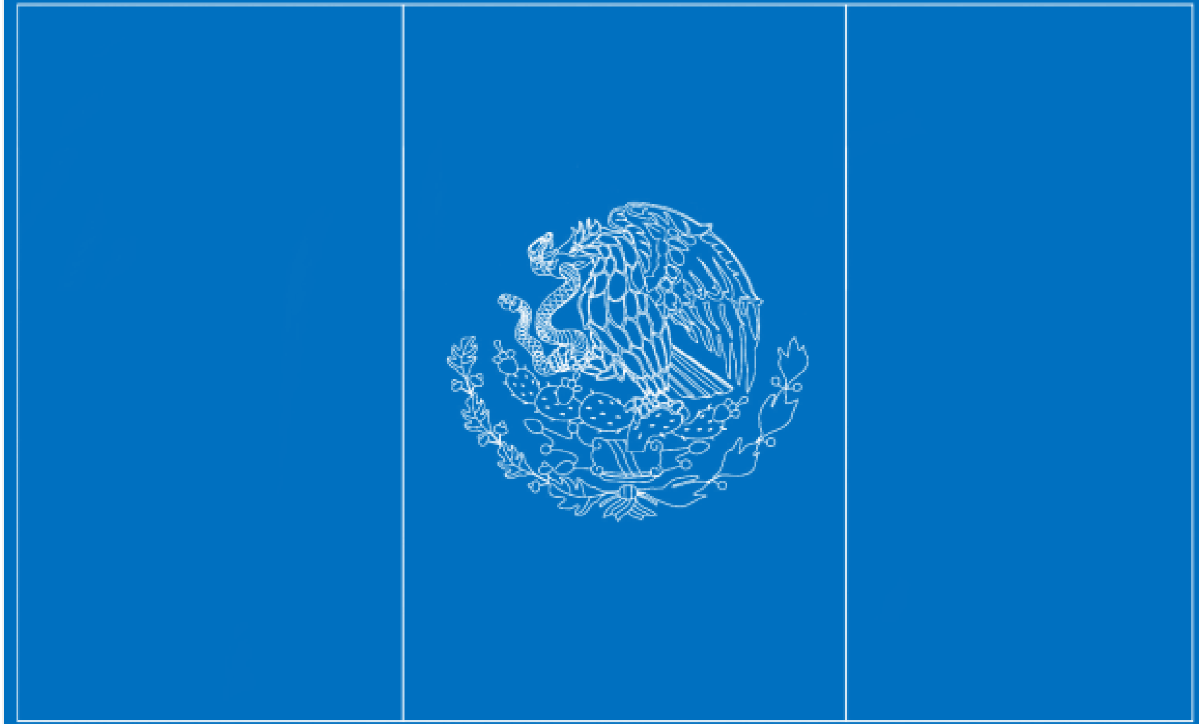
MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22

2020 Cash Flow Guidance

- On earnings call, the management gave guidance on 2020 cash flow statement.
- Net OCF was expected to be breakeven in 2020, with less land acquisition relative to cash collected from contracted sales.
- Gross CFF inflow was expected to decrease 26% in 2020 to US$4,714mm. Net CFF was expected to decrease 95% to US$143mm.
- Cash including LT deposits at the end of 2020 was expected to be flat y/y.
- According to the management, in 2019, US$1.9bn debt was deconsolidated through project companies, resulting in the difference between 2019 cash flow statement and net debt changes.

Cash Flow Guidance (US$ mm)	2020 Guidance	2019 Actual	y/y
Contracted sales	10,714	9,000	19%
Other inflow	571	500	14%
Total op. inflow	11,286	9,500	19%
Land acquisition	(4,643)	(4,314)	8%
- as % of presales cash	*43%*	*48%*	-
Construction costs	(3,143)	(3,000)	5%
SG&A	(786)	(743)	6%
Interest	(1,714)	(1,643)	4%
Taxes	(786)	(614)	28%
Dividend	(143)	(100)	43%
Total op. outflow	(11,214)	(10,414)	8%
Net CFO	**71**	**(914)**	(108%)
Net CFI	**(214)**	**(229)**	(6%)
CFF inflow	4,714	6,386	(26%)
CFF outflow	(4,571)	(3,243)	41%
Net CFF	**143**	**3,143**	(95%)
Total cash changes	**0**	**2,000**	(100%)
Beginning cash	5,286	3,286	61%
Ending cash	5,286	5,286	0%



MEXICO

MARKET OUTPERFORM (MEXICO):

ALPHSA 9.00% 25s

AlphaCredit is a Mexican payroll lender with a core focus on Federal Government employees. Payroll loans account for 85% of the total loan portfolio, with some exposure to SMEs, 12% of total loans. Earnings have been driven by strong Colombia operations, as PDL loans doubled y/y and now account for 20% of total loans, maintaining strong asset quality. Furthermore, the issuer's high level of digitalization should mitigate mobility constraints during lockdown. Secured debt is only 12% of total after the recent US$400 mm 2025 bond issuance and the US$100 mm equity injection, improving the net debt to loans ratio to 121% on a pro-forma basis. We view the ORP loans as performing assets, representing 14% of total portfolio, yet we wrote the assets off in in our stress test case and still see favorable results. ALPHSA has strong liquidity after the equity injection, a generally stable PDL loan book focused on Federal Govt. and pensioners and fully hedged USD debt. Under our stress test, we see the issuer as one of the best positioned. We see FCF breakeven even with our conservative loan collection reductions and loan write-down assumptions, as well as having around US$100mm in excess cash to de deployed in 2021.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ALPHSA	10.00%	12/19/2022	300	B2 / B+ / -	87.50	16.48%
ALPHSA	9.00%	2/10/2025	400	B2 / B+ / -	82.00	14.54%

Pros

- As of 1Q20, the total loan portfolio is nearly 5.6x larger than 4Q15
- Payroll loans account for 85% of total loans, focused on Federal Govt. organizations (Govt, Health, Education, etc.) and retirees
- Strong Colombian PDL growth, as loans nearly doubled y/y despite operating in an interest rate cap environment, as well as having NPLs below 1.0%
- As of 1Q20, Colombia and SMEs accounted for 20% and 11% of gross loans
- ALPHSA's portfolio seems to carry higher yields than peers
- Stable asset quality with NPLs and provisioning towards industry lows
- Not impacted by recent regulatory proposals in Mexico, although this could change in the future, we currently see unlikely further regulation
- 100% of both USD bonds are fully hedged
- Strong liquidity starting point given the recent US$400 mm 2025 bond issuance and US$100 mm equity injection. As of 1Q20, secured debt was 12%, improving the net debt to loans ratio to 121% (incl. hedge derivatives)

Cons

- Mexican Govt. dictates policies on unionized state and federal public sector organizations, subject to continuing uncertainty
- Rotation of administrators within Government entities and labor unions may effect current and future award of contracts
- Unsecured PDL loans, limiting collection if customers are terminated
- Recent news point to Mexico's Social Security (IMSS) potentially forbearing PDL payments for three months
- Negative 10% tangible capitalization, due to the intangibles resulting from past acquisitions of loan originators (contracts with Federal organizations)
- Potential collection difficulties (per OM disclosure) as both accrued interest and other A/R as a % of loans have increased since 2016
    - Recently highlighted by ORP loans incl. in the loan book as an A/R. ORP loans are 180+ day NPLs that account for 14% of total portfolio
- Pro-forma net debt to loans ratio is 121%, remaining above non-bank peers

MARKET OUTPERFORM (MEXICO):

ALPHSA 9.00% 25s

Updated Stress Test Assumptions:

- Loan portfolio is placed on run-off through 2020, with no origination as the cash collected is not being redeployed. Cash would then be deployed in 2021 to keep loans flat y/y
- Run-off based on the avg. duration and interest rate per type of loan
- Based on the issuer's historical charge-offs, we impair loans by 1.5% per quarter
- Collections are then reduced by 50% in 2Q20, 50% in 3Q20 and 25% in 4Q20
- Non-collections are written-off and represent the difference between stated and our estimated realizable total loans as we do not expect the issuer to write off these amounts
- We are writing-off the US$56 mm ORP loans, though it appears the issuer does collect a portion of these A/R. Interest income accrued on our est. realizable total loans

Base Case:

- Cash inflow in 2Q20 is due to the equity injection
- Stated loan book would be US$350 mm in 4Q20, our est. realizable loans at US$254 mm
- FCF collected through the run-off would be sufficient to cover debt interest costs in full and the issuer's opex through 2021
- The issuer would be able to fully pay the US$21 mm bank maturities due in 2020, finishing the year with US$201 mm in cash
- **As a result, we don't see the need for additional financing**
- We suspect US$100 mm in cash would be able to be deployed into loans in 2021
    - Our est. realizable loans would increase by 39% to US$354 mm
    - Cash position would be US$55 mm in 2021
- Net debt would decrease to US$584 mm in 2021, with secured debt at 7% of the total
- Net debt to loans ratio would have increased to 165% vs the current 121% (pro-forma)
- At the current **82c** bond price, the net debt at market would be US$458 mm in 2021
    - The net debt to loans ratio would improve to 129%

ALPHSA (US$ MM)	2Q20	3Q20	4Q20	2021
Total Collection Reduction	**50%**	**50%**	**25%**	**0%**
Stated Loan Book	**387**	**369**	**350**	**450**
Est. Realizable Total Loans				
PDL Loans - Mexico	200	182	165	230
PDL Loans - Colombia	77	73	69	97
ACH Loans	13	12	10	14
Factoring	5	-	-	-
Leasing	11	10	9	13
Est. Realizable Total Loans	**306**	**277**	**254**	**354**
Q/Q Loan Growth %	(26%)	(9%)	(9%)	39%
Initial Cash	115	225	218	201
Net Cash Deployed				(100)
Loan Amortizations	25	12	15	-
Interest Income	16	14	20	120
Interest Expense	(19)	(22)	(19)	(81)
Admin Expenses	(12)	(12)	(12)	(46)
FCF	**10**	**(7)**	**3**	**(107)**
Debt (Amortization) Raised	100	-	(21)	(39)
Final Cash	**225**	**218**	**201**	**55**
Bonds	700	700	700	700
Bank Debt	138	138	117	79
Total Debt	**838**	**838**	**817**	**779**
Secured Debt %	12%	12%	10%	7%
Derivative Assets	140	140	140	140
Net Debt (incl. hedge)	473	480	476	584
Net Debt / Total Loans	**154%**	**173%**	**188%**	**165%**
Net Debt (at mkt, incl. hedge)	347	354	350	458
Net Debt (at mkt) / Total Loans	**113%**	**128%**	**138%**	**129%**

MARKET OUTPERFORM (MEXICO):

ALPHSA 9.00% 25s

Recent 1Q20 Earnings – Mixed

- 1Q20 Loan portfolio was 1% lower q/q at MXN$9,859 mm (US$417 mm), yet increasing by 11% on a y/y basis
    - Mexico's PDL's were 3% lower q/q at MXN$6,871 mm, as the issuer mentioned more cautions loan origination per covid-19
    - Colombia's PDL's were 15% higher q/q at MXN$2,030 mm, as Colombia's origination was half of the total despite the earlier lockdown imposed than in Mexico
    - SME loans were 6% lower q/q at MXN$1,160 mm, noting the actual loan balance is lower than the factoring committed lines reported
- The total NPL ratio increased to 4.0% vs 3.6% last quarter, driven by deterioration in the SME portfolio as consumer loan NPLs remained stable at 2.7%
    - Although SME loans are only 11% of total loans, NPLs jumped to 27% in Factoring from 21% last quarter and to 10% in Leasing from 5% last quarter
    - NPLs increased in part from covid-19 impacts (12% of clients), however deterioration came from fraudulent customers – Alphsa is now changing its SME credit parameters
    - Yet, we note minimized impact as the collateral backing the NPLs is higher and is expected to aid in recoveries
- LQA Provisioning and charge-offs were 6.0% and 3.8% during the quarter, higher than the historical avg. due to the SME portfolio deterioration
    - New IFRS changes were adopted, where NPL interest income continues to be accrued and provisioning increases accordingly
    - Minimum impact on net income – however, Alpha only disclosed annual figures so 4Q's interest income and provisioning are elevated
- Interest income was MXN$801 mm (US$40 mm), in line with gross loans and stable portfolio yield
- Interest expense was 1% lower q/q at MXN$527 mm (US$26 mm), driven by cost of funds improvement on the recent liability management
- Yet, operating profit was negative MXN$151 mm (US$8 mm), due to MXN$230 mm non-recurring expenses mainly on debt prepayment and transaction fees

ALPHACREDIT (MXN MM)	1Q20	4Q19	1Q19	q/q	y/y
Interest Income	801	1,333	690	(40%)	16%
Interest Expense	527	534	520	(1%)	1%
Net Interest Income	274	799	170	(66%)	61%
Admin. Expenses	232	238	234	(3%)	(1%)
Net Operating Profit	(151)	(10)	49	(1,410%)	-

ALPHACREDIT (MXN MM)	1Q20	4Q19	1Q19	q/q	y/y
Total Assets	22,880	18,070	16,670	27%	37%
Total Debt	19,845	13,951	13,263	42%	50%
Cash & Equivalents	2,723	1,482	1,576	84%	73%
Net Debt	17,122	12,469	11,687	37%	47%
Total Loan Portfolio	9,859	9,958	8,871	(1%)	11%
Net Debt / Net Total Loans	**182%**	**130%**	**137%**		
Equity	1,787	1,917	2,261	(7%)	(21%)
Equity / Total Assets	8%	11%	14%		
Total Debt / Equity	1111%	728%	587%		
NIM	11%	34%	8%		
Efficiency Ratio (excl. provisions)	51%	23%	82%		
NPL %	4.0%	3.6%	3.0%		
LQA Provision %	6.0%	28.0%	0.1%		
LQA Charge-offs %	3.8%	28.0%	1.2%		

MARKET OUTPERFORM (MEXICO):

ALPHSA 9.00% 25s

Recent 1Q20 Earnings – Continued

- The NIM increased to 11%, mainly from the lower funding costs
- We highlight the tangible equity ratio at negative 10%, due to the MXN$3,712 mm valuation of contract agreements from acquiring originators
- Total debt increased to MXN$19,845 mm (US$838 mm), with cash increasing to MXN$2,723 mm (US$115 mm)
    - Q/Q debt growth was from the US$400 mm bonds due 2025 issued, which were used to refinance US$300 mm in mostly secured debt
    - As of 1Q20, only 12% of total debt is secured, vs the 48% level in 4Q19
- Net debt to loans increased to 182% mainly from FX depreciation
- The net debt to loans (incl. hedge derivatives) improves to 147%, yet still higher than the 130% in 4Q19
- In May 2020, Alpha closed an MXN$2.4 bn (US$100 mm) equity injection from a group of investors led by Softbank
    - On a pro-forma basis, we see the net debt to loans ratio decreasing to 121% (incl. the hedge derivatives)
    - The equity / total assets ratio would increase to 17%, vs 9% in 1Q20
    - The capitalization covenant (equity / loans) would improve to 42%, vs the current 18% (the min. bond covenant ratio is 13.5%)
- Covid-19:
    - Minimum impact given low Govt. employee turnover and exposure to Pensioners (mainly in Colombia), as well as 100% digital origination
    - Restricting loan origination going forward, primarily on SME lending given the aforementioned adjustments
    - Mexico's IMSS applied a 3-month deferral payments to PDL lenders in order to boost customer's liquidity

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MARKET OUTPERFORM (MEXICO):

KUOBMM 5.75% 27s

Grupo KUO is a Mexican conglomerate with three major revenue streams: consumer, chemical and automotive. The aggressive capex plan was focused on expanding the consumer pork capacity, as well as developing a DCT transmission in the automotive sector, which has been slashed and deferred. The consumer segment (pork meat and Herdez frozen and packaged food) has benefited from strong international pork demand given the swine fever outbreak in China, yet higher raw material costs at Herdez have partially offset earnings. Chemical margins remain depressed, primarily from lower volumes and spread contraction in both synthetic rubber and polystyrene businesses, the latter with signs of improvements from cheaper styrene feedstock. The new DCT transmission was recently launched, yet results will be weak near term. Despite the recent fire at KUO's second largest pork meat processing plant (30% of total volumes) we see the issuer absorbing about half of the lost pork meat volumes mainly by returning to 100% capacity in the other two pork meat processing plants. We assume no EBITDA at the automotive businesses and continued rubber weakness. We see net leverage at 3.9x with breakeven FCF, strong liquidity and no short-term debt amortizations, as well as being a long USD issuer. Furthermore, we are not considering the value of any settlement proceeds in our leverage calculation, which could be substantial.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
KUOBMM	5.75%	7/7/2027	450	- / BB / BB	92.00	7.23%

Pros

- Strong consumer business with vertically integrated pork operations and a strong brand recognition in salsas and guacamole (Herdez)
  - Recent capex plan increased pork sows to 90k
- Chemical business is amongst largest rubber and polystyrene Mexican producers
- Automotive business recently launched its new DCT transmissions for high-performance GM and Ford, though both OEMs have stopped production
- 75% of total sales are in USD. With 50% total sales being exports primarily to the US and Asian markets
- Consumer segment has benefited from higher prices and volumes derived from the swine fever outbreak in China
- Historically positive FCF generation, offset by the aggressive capex plan
- Strong liquidity with around US$200 mm in cash after the April 2020 debt drawdown and still having US$190 mm in available committed bank lines. The next large maturity is only due 2024

Cons

- Capex plans have been deferred, with Kuo allocating 85% of total capex to growth projects pre-covid, primarily to double the pork business and develop new automotive technology
  - The impacted plant by the fire damage was the newest and second largest pork meat processing plant inaugurated in 2018
- 65% of consolidated costs are in USD, primarily raw materials imports such as maize and soy for the consumer business and feedstock for the chemical business
- Higher avocado raw material costs have partially offset consumer margins
- Weak synthetic rubber business from exposure to construction, as well as the automotive sector being stagnant from OEMs stopping production
- FCF burn has driven the LTM gross and net leverage to 3.5x and 2.8x
- The SMCA trilateral trade deal lifted some uncertainty, yet the complex export logistics (particularly automotive) and overall margins can still be impacted

MARKET OUTPERFORM (MEXICO):

KUOBMM 5.75% 27s

Sahe Plant Fire Developments:

- On May 3rd, 2020 KUO reported severe fire damage on one of its pork meat processing plants in the state of Yucatan, Mexico
    - The Sahe plant was KUO's newest and second largest pork meat processing plant, which had been inaugurated in 2018 and was ramping-up production
    - The plant was running at 70% capacity processing 770k pigs per year, accounting for around 30% of KUO's total pork meat processing
    - The cause of the fire remains under investigation, yet we don't except production to return in the short-term given the severity of the damage
- We note the issuer has premium insurance on all its plants, covering fire damages, project capex deployment and business interruption
    - With the total capex at around US$100 mm, the issuer expects a substantial settlement from the fire and capex coverage
    - Business interruption coverage settlement is less straight-forward, with KUO expecting around 9 months to receive the full settlement proceeds
- S&P downgraded KUO to BB- from BB due to the additional pressure of the fire to the weakness in the automotive and chemical businesses

Updated Assumptions:

- Pork meat – the pig breeding operations were not impacted, with KUO still expecting to finish the year between 85k and 90k pig sows
    - KUO can shift processing in order to reach 1.8 million pigs per year, which would be 17% lower y/y vs the 2.2 million pigs processed in 2019
    - Both Uman (1.6 million pigs) and Irapuato (0.3 million pigs) processing plants would ramp-up to their 100% capacity
    - We note both plants were currently running at lower rates per covid-19 precaution measures
    - 1Q20 pork meat pricing and demand was strong, we assume prices remain stable for the rest of the year
    - Though fixed costs could be lower given the reduced processing, we took the conservative approach and kept fixed cost flat y/y
- Herdez JV – 1Q20 product demand was strong; we assume it remains stable increasing revenues by 4% y/y
- Polystyrene – 200k tons per year plant, with PS spreads improving primarily from cheaper feedstock
- Synthetic Rubber JV – 25% revenue decline y/y due to its exposure to the infrastructure and automotive sectors
- Transmission – 50% revenue decline y/y as OEM production remains stopped
    - We also assume a 25% decline in revenue y/y in the aftermarket auto parts business
- Maintaining the consolidated fixed costs flat y/y

MARKET OUTPERFORM (MEXICO):

KUOBMM 5.75% 27s

Base Case:

- On a pro-forma basis, consolidated EBITDA would be 28% lower y/y at US$178 mm vs US$249 mm in 2019
  - Stable Herdez and improved polystyrene offsetting the EBITDA declines in the pork meat, rubber and automotive businesses
  - We note our conservative base case pork EBITDA margins would be 9%, vs 1Q20 margins at 12%. Furthermore, KUO can absorb production volumes by processing pork meat at third party facilities
  - Margins were well above 9% prior to the Sahe plant opening in 2018
- The consolidated EBITDA margin would be 10% vs 11% in 2019
  - Mainly from a recovery in polystyrene
- FCF would be essentially break even, as the issuer slashed capex by half to just US$60 mm
- In terms of liquidity, KUO had US$134 mm in cash as of 1Q20 and drew US$80 mm from its available credit lines in April 2020
  - KUO continues to have US$190 mm in available committed bank lines
  - Acquired the waiver for the 3.5x net leverage covenant on the revolver
- Net leverage would increase to 3.9x
- We are not incl. the value of any settlement proceeds in our leverage calculation

GRUPO KUO (US$ MM)	FY17	FY18	FY19	FY20 Pro-Forma
Revenue				
Pork Meat	558	603	680	600
Herdez JV	474	480	500	522
Polystyrene	344	432	336	243
S. Rubber JV	721	751	623	467
Transmissions	225	215	256	128
Aftermkt Autoparts	159	160	162	122
Total Revenue	**2,077**	**2,213**	**2,194**	**1,789**
EBITDA				
Pork Meat	79	87	91	56
Herdez JV	49	52	49	59
Polystyrene	47	50	35	51
S. Rubber JV	47	57	38	27
Transmissions & Aftermkt	50	36	23	(15)
Total EBITDA	**283**	**283**	**249**	**178**
Interest paid	(24)	(41)	(70)	(88)
Capex	(211)	(286)	(151)	(60)
Working capital	24	(53)	(53)	20
Employee benefits paid	(33)	(28)	(24)	(27)
Taxes paid	(56)	(30)	(25)	(18)
FCF	**(17)**	**(155)**	**(75)**	**5**
Total Debt	556	794	876	876
Cash	98	144	177	182
Net Debt	458	651	699	694
Gross Leverage	2.0x	2.8x	3.5x	4.9x
Net Leverage	1.6x	2.3x	2.8x	3.9x
EBITDA Margin %	14%	13%	11%	10%

(*) Estimated EBITDA per sub-segments

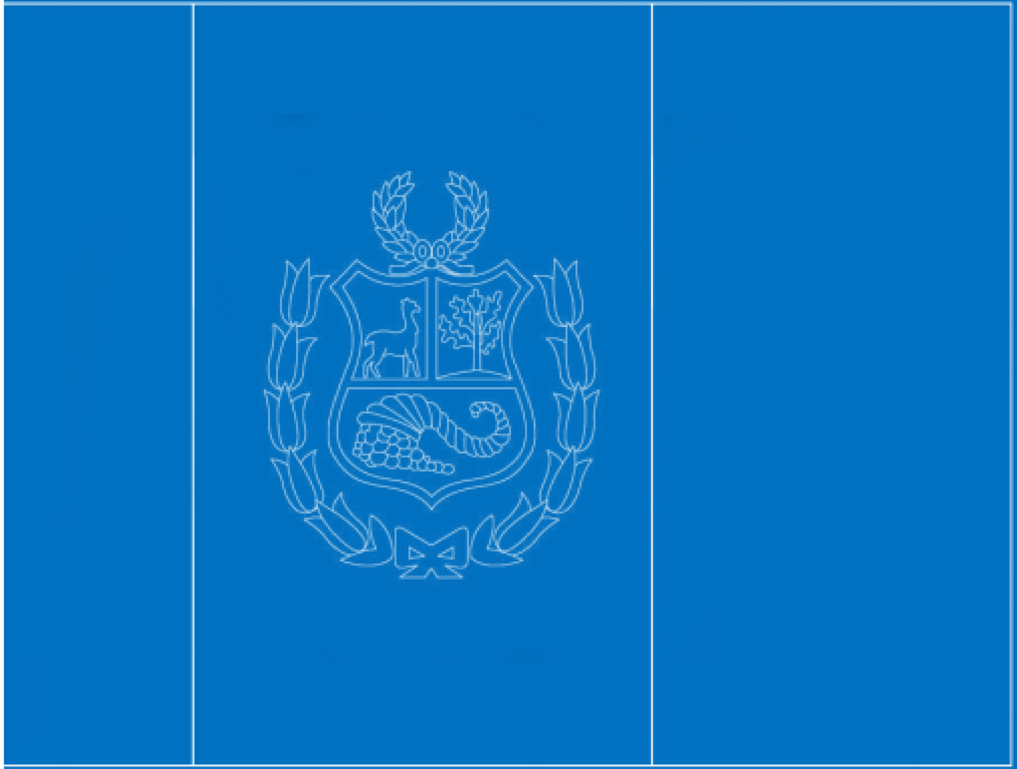
MARKET OUTPERFORM (MEXICO):

KUOBMM 5.75% 27s

Recent 1Q20 Earnings – Positive

- 1Q20 Revenue was 7% higher y/y at US$560 mm, increasing by 1% sequentially as well
  - Consumer sales were US$288 mm, 14% higher y/y due to double digit growth in pork volumes and pricing and strong domestic Herdez demand
  - Chemical sales were US$157 mm, 8% higher q/q despite weakness in pricing and volumes in both rubber and PS businesses
  - Automotive sales were US$114 mm, 7% higher y/y as the DCT transmissions ramped-up prior to the OEM stoppages in March
- Consolidated EBITDA was US$55 mm, increasing by 3% y/y and 7% sequentially
  - Consumer EBITDA was US$38 mm, increasing by 42% y/y in line with the strong pork and Herdez demand
  - EBITDA includes an initial divestiture of three tuna vessels
  - Chemical EBITDA was US$17 mm, improving q/q on PS spreads from cheaper feedstock partially offset by weakness in synthetic rubber
  - Automotive EBITDA was US$3 mm given the COVID-19 contingency stoppages of OEMs
  - As a result, the consolidated EBITDA margin remained stable at 10%, vs 10% in 1Q19
- FCF burn was US$17 mm, driven by WK expansion and high taxes paid during the quarter, partially offset by slashing capex
- Total debt was US$856 mm, while cash decreased to US$134 mm
  - In April 2020, Kuo drew US$80 mm from its US$300 mm available credit lines
- Annualized gross and net leverage ratios are 3.9x and 3.3x, respectively

GRUPO KUO (US$ MM)	1Q20	4Q19	1Q19	q/q	y/y
Consumer	288	298	253	(4%)	14%
Chemical	157	145	176	8%	(11%)
Automotive	114	107	91	7%	25%
Total Revenue	560	553	522	1%	7%
EBITDA	55	52	54	7%	3%
EBITDA margin	10%	9%	10%	-	-
GRUPO KUO (US$ MM)	1Q20	4Q19	1Q19	q/q	y/y
Total Debt	856	876	886	(2%)	(3%)
Cash & Equivalents	134	177	163	(24%)	(17%)
Net Debt	722	699	723	3%	(0%)
Total Debt / LQA EBITDA	3.9x	4.2x	4.1x	-0.4x	-0.3x
Net Debt / LQA EBITDA	3.3x	3.4x	3.4x	-0.1x	-0.1x
GRUPO KUO (US$ MM)	1Q20	4Q19	1Q19	q/q	y/y
EBITDA	55	52	54	7%	3%
Interest paid	(22)	(13)	(22)	(76%)	1%
Capex	(14)	(26)	(38)	47%	64%
Working capital	(7)	58	(59)	-	(88%)
Employee benefits paid	(7)	(2)	(7)	(177%)	6%
Taxes paid	(22)	(3)	(3)	(532%)	(569%)
FCF	**(17)**	**65**	**(77)**	-	78%



PERU

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Ajecorp is a financing subsidiary incorporated in the Netherlands, and wholly-owned by Spain-based Grupo Embotellador Atic, S.A. ("Atic"), a second-tier soft drink and bottling company with operations primarily focused in the Andean region and Central America. Both Atic and its sister-company Callpa are 100% owned by the Añaños family. Atic's credit profile has improved significantly as a result of its 2016 restructuring, with adj. EBITDA margins of 22% in 1Q20, supported by steady cash generation. In addition, as a result of management's efforts to improve operating efficiencies, no further payments have been made from Atic to Callpa, who is now breakeven and operating independent of Atic support. The recent repayment of US$52 mm in senior credit facilities and repurchase of US$57 mm in AJECBV 22s serve to further support deleveraging efforts. AJECBV 22s now account for 88% of Atic's total outstanding debt at an impressive 2.5x LTM net leverage (v. 7.2x 4Q15). Meanwhile, deemed an essential business in its operating countries, the company has reported no major interruptions as a result of COVID-19. Thus, we maintain our Market Outperform rating AJECBV 6.5% 22s at 99c, offering an attractive 7%+ mid-YTM, with several quarters of solid credit improvement and demonstrated ability to navigate the current crisis environment.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
AJEBCV 6.5% 05/14/2022	$450	-/ B/ B	98.88	7.17%

** US$57.2 mm repurchased by Atic as of May '20*

Pros:

- Minimal interruptions to operations as a result of COVID-19, deemed an "essential" business by Peruvian government
- Strengthening of Atic credit profile post-restructuring, with non-performing assets ring-fenced under sister company Callpa
- Mexico, reincorporated under Atic in 4Q17, now generating positive Adj. EBITDA
- Non-core assets, Indonesia and Thailand, reincorporated under Atic in 4Q18. These remain held for sale, with FY20 guidance of US$20 mm and breakeven adj. EBITDA, respectively
- Impressive fundamental improvements post-restructuring, matched by ongoing deleveraging efforts:
    - 22% adj. EBITDA margins and US$19 mm FCF at 1Q20
    - US$413 mm net debt and 2.5x LTM net leverage at 1Q20 (v. 4Q15: 7.2x)
    - US$52 mm Citi/Santander loan repaid 4Q19
    - US$57.2 mm of AJECBV '22s repurchased by Atic as of May '20
- No payments from Atic to Callpa since 1Q18 (Excluding US$1 mm one-off). Callpa operations currently breakeven with India generating positive results, no longer requiring support

Cons:

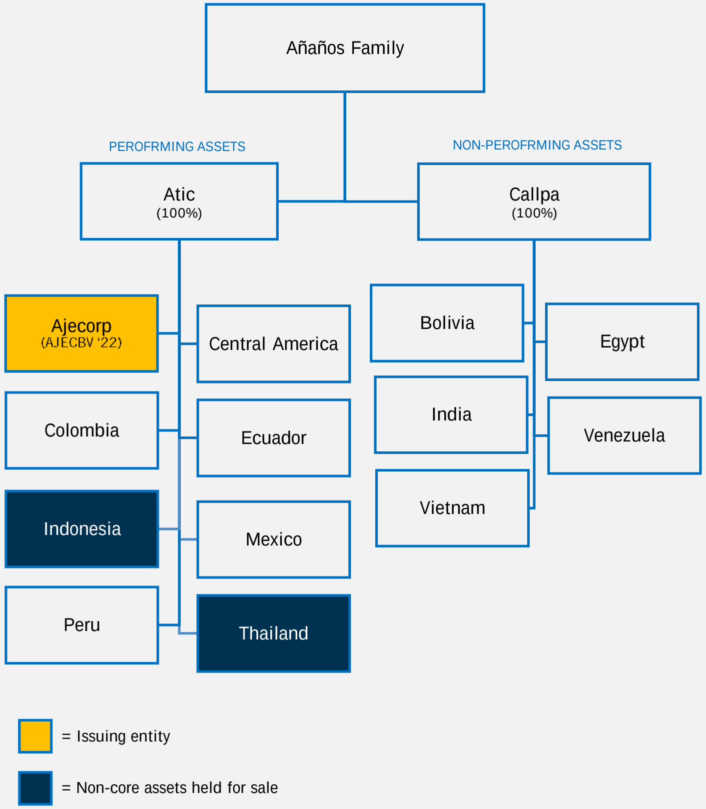
- Competition against major 1st-tier international brands, backed by substantial capital resources
- No f/x hedging policies with revenues denominated in local f/x v. USD-denominated debt. Slight impact on Mexico and Colombia operations YTD FY20
- Release from restrictive covenants, including intercompany lending cap to Callpa, with repayment of Citi/Santander loan in FY19
- Write-off of US$22 mm in Callpa account receivables in 2019
- Draw-down of US$14 mm in new credit lines in 1Q20, require further details on terms and size

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

The ring-fencing of operations under sister-company Callpa allows the Añaños family to maintain ownership of non-performing assets, while enhancing the credit quality of Atic.

- Both Atic and Callpa are 100% owned by the Añaños Family
- Historically, all operations under the Añaños family have been funded by Atic, with performing assets incorporated under Atic (100%) and non-preforming assets under Callpa (100%)
- Prior to its restructuring in Dec. '16, Atic provided a total of US$118 mm in intercompany loans to Callpa, contributing to significant cash outflow and elevated LTM net leverage
- From Dec. '16 – '19, indentures under Atic's various term loans:
  1) Required early stage/unprofitable assets at Atic be transferred to Callpa
  2) Prohibited further financial support from Atic to Callpa, and
  3) Capped intercompany loans through the tenure of the facilities at US$30.5 mm, including US$18.5 mm related party-lending and US$12 mm in pre-arranged payments
- In addition, covenants under the most recent Citi/Santander loan, refinanced in August 2018 required Atic (i) maintain 12-months capex-to-revenue $\leq$ 4% (ii) cap addtl. debt incurrence at US$10 mm, (iii) reduce leverage and (iv) maintain a US$35 mm minimum cash balance
- In 4Q17, Mexico, Indonesia and Thailand operations were returned to Atic, following restructuring of operations, with each contributing neutral to positive Adj. EBITDA to-date
- These parameters, alongside adjustments to format, product and pricing, strengthened Atic's profile, resulting in 22% EBITDA margins, US$39 mm in cash and LTM net leverage of 2.5x at 1Q20 (v. 1% and 7.2x at 4Q15)
- No further payments have been made to Callpa since Atic's repayment of the US$52 mm Citi/Santander loan 4Q19, and subsequent release from restrictive covenants
- Furthermore, Callpa is now operating independent of Atic support, at breakeven levels and with positive contributions from its India operations
- Meanwhile, the company continues to focus on deleveraging, having repurchased US$57 mm of its outstanding US$450 mm in AJECBV '22s to-date



MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

<u>1Q20 Results, LatAm (Core) Operations:</u>

- Per accounting requirements, post-FY18, Ajecorp recognizes Indonesia and Thailand, as part of Atic's Continued Operations
- However, given plans to sell these operations, we continue to focus on LatAm (Core) operations for insights into underlying performance
  - These include Central America, Colombia, Ecuador, Mexico, Peru and corporate
- Average price was flat y/y and down 5% q/q at US$2.04, outpaced by a 3% y/y and 7% q/q increase in volumes sold to 126 mm 24 x 8 oz case
- Revenue of US$258 mm increased 3% y/y and 1% q/q on higher volumes
- Adj. EBITDA increased 5% y/y and 45% q/q to US$58 mm, with margin expansion to 23% (+30 bps y/y, +680 bps q/q)
- LTM Adj. EBITDA increased 30% y/y and 1% q/q to US$175 mm

ATIC, LatAm (Core) Operations (US$ MM) *, **	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q
Volumes ('000s 24 x 8 oz)	**126,317**	**118,542**	**118,188**	**118,932**	**122,295**	**3%**	**7%**
Avg. Price (USD)	**$2.04**	**$2.15**	**$2.01**	**$2.04**	**$2.04**	**(0%)**	**(5%)**
% change Average Price y/y	*(0%)*	*6%*	*(0%)*	*0%*	*2%*	*(175 bps)*	*(604 bps)*
Revenue	**258**	**255**	**237**	**243**	**250**	**3%**	**1%**
Reported Adj. EBITDA	**58**	**43**	**16**	**35**	**56**	**5%**	**35%**
+ Add back: Impairment Callpa A/R	-	(3)	15	10	-	-	(100%)
+ Add Back: Impairment, Severance (Mex. Ops.)	-	-	-	-	-	-	-
Adj. EBITDA	**58**	**40**	**31**	**45**	**56**	**5%**	**45%**
Adj. EBITDA margin	*23%*	*16%*	*13%*	*19%*	*22%*	*30 bps*	*680 bps*
LTM Adj. EBITDA	**175**	**173**	**165**	**153**	**134**	**30%**	**1%**

** Excludes impact of IFRS 16*
*** Excludes ATIC operations classified as held for sale (Thailand and Indonesia)*

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

1Q20 Results, Continued Operations:

- Average price of US$2.00 (flat y/y, -3% q/q) was outpaced by growth in volumes sold to 145 mm 24 x 8 oz case (+3% y/y, +6% q/q)
  - Volume growth was mainly in Central America (+11% y/y) and Colombia (+6% y/y)
  - “Aje Delivery” introduced to manage shift from traditional distribution as a result of COVID-19
- Revenue: US$284 mm (+9% y/y, +6% q/q), driven by contributions from Mexico (+11% y/y), Central America (+10% y/y) and Ecuador (+9% y/y)
- Consolidated Adj. EBITDA was US$64 mm (+8% y/y, +57% q/q), with y/y growth derived primarily from Ecuador (+ 62% y/y), Thailand (+49% y/y) and Colombia (+34% y/y)
  - Consolidated LTM Adj. EBITDA of US$165 mm (+46% y/y, +4% q/q)
- EBITDA margins of 22% (+111 bps y/y, +767 bps q/q)
- Free cash flow of US$19 mm benefitted from increased profitability and lower capex, interest and tax payments, balanced by working capital outflow
  - Capex was US$9 mm, substantially lower (-57% q/q) than the US$22 mm capex in 4Q19
  - The company reported working capital outflow of US$21 mm in 1Q20, compared to inflow of US$25 mm in the prior quarter

Atic, Continued Ops (US$ MM) *	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q
Volumes ('000s 24 x 8 oz)	**145,542**	**137,627**	**136,591**	**140,363**	**141,287**	**3%**	**6%**
Avg. Price (USD)	**$2.00**	**$2.06**	**$1.96**	**$1.99**	**$2.00**	**(0%)**	**(3%)**
% change Average Price y/y	*(0%)*	*5%*	*1%*	*2%*	*2%*	*(212 bps)*	*(492 bps)*
Revenue	**291**	**284**	**267**	**279**	**282**	**3%**	**2%**
EBITDA	**61**	**37**	**16**	**38**	**57**	**8%**	**68%**
+ Royalties accrued but not paid	3	7	2	1	2	36%	(64%)
+ Add back: Impairment Callpa A/R	0	(3)	15	10	0	-	(100%)
+ Add Back: Impairment, Severance (Mex. Ops.)	0	0	0	0	0	-	-
Adj. EBITDA	**64**	**41**	**32**	**50**	**59**	**8%**	**57%**
Adj. EBITDA margin	*22%*	*14%*	*12%*	*18%*	*21%*	*111 bps*	*767 bps*
- capex	(9)	(22)	(8)	(6)	(4)	130%	(57%)
- interest	(1)	(15)	0	(15)	0	-	-
- taxes paid	(8)	(14)	(9)	(6)	(9)	(11%)	(6%)
- WK	(21)	25	3	(10)	(3)	588%	(839%)
- support to AJE Oportunidad	0	0	0	0	(1)	-	-
FCF (excl. lease payments and payments to immobilized suppliers)	**25**	**15**	**19**	**13**	**42**	**(41%)**	**29%**
- financial lease payments	(5)	(7)	4	(4)	(4)	21%	(215%)
- payments to immobilized suppliers	(1)	7	(7)	(0)	(1)	30%	-
FCF	**19**	**15**	**16**	**9**	**37**	**(49%)**	**18%**
Total Debt	**455**	**483**	**476**	**502**	**534**	**(15%)**	**(6%)**
Finance Lease Liabilities	33	34	2	4	8	302%	(3%)
Bank Loans	13	9	23	53	55	(76%)	44%
Debentures (Bonds)	408	438	449	442	468	(13%)	(7%)
Machinery and Equipment Financing	2	2	2	3	3	(40%)	(16%)
Cash and Equivalents	**32**	**39**	**46**	**57**	**72**	**(56%)**	**(19%)**
Net Debt	**424**	**444**	**430**	**445**	**462**	**(8%)**	**(5%)**
less: indi. accounting adj. and accrued interests	*(11)*	*(7)*	*(17)*	*(10)*	*(18)*	(38%)	68%
Adj. Total Debt	**444**	**477**	**459**	**491**	**516**	**(14%)**	**(7%)**
Adj. Net Debt	**413**	**438**	**413**	**435**	**444**	**(7%)**	**(6%)**
LTM Adj. EBITDA	**165**	**160**	**150**	**155**	**138**	**20%**	**3%**
LTM Interest Expense	**37**	**39**	**40**	**44**	**43**	**(14%)**	**(4%)**
Leverage (Total Debt /LTM Adj. EBITDA (excl. impairments))	**2.7x**	**3.0x**	**3.1x**	**3.2x**	**3.7x**	**(1.1x)**	**(0.3x)**
Net Leverage (Net Debt /LTM Adj. EBITDA (excl. impairments))	**2.5x**	**2.7x**	**2.8x**	**2.8x**	**3.2x**	**(0.7x)**	**(0.2x)**

** Excludes impact of IFRS 16*

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

1Q20 Results, Continued Operations (Cont'd):

  - No payment was made from the company's loan basket to support AJE Oportunidad (aka Callpa) in the quarter
- Gross debt decreased 6% q/q to US$455 mm, following the repurchase of AJECBV 22s in the quarter
  - In 1Q20, the company repurchased another US$37 mm of its AJECBV 22s, bringing the total repurchased bonds held by Atic to US$57.2 mm at end-1Q20
    - We highlight bonds are still outstanding/not yet redeemed, but recognized as a decrease in debt on the company balance sheet
- Cash stood at US$32 mm in 1Q20, down 19% q/q following the repurchase of AJECBV 22s, balanced by the draw down of US$14.4 mm from Atic's new credit line
- Net debt decreased 5% q/q to US$424 mm
- LTM net leverage of 2.5x continued to contract on improved profitability and repayment/repurchase of debt

Atic, Continued Ops (US$ MM) *	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q
Volumes ('000s 24 x 8 oz)	**145,542**	**137,627**	**136,591**	**140,363**	**141,287**	**3%**	**6%**
Avg. Price (USD)	**$2.00**	**$2.06**	**$1.96**	**$1.99**	**$2.00**	**(0%)**	**(3%)**
% change Average Price y/y	*(0%)*	*5%*	*1%*	*2%*	*2%*	*(212 bps)*	*(492 bps)*
Revenue	**291**	**284**	**267**	**279**	**282**	**3%**	**2%**
EBITDA	**61**	**37**	**16**	**38**	**57**	**8%**	**68%**
+ Royalties accrued but not paid	3	7	2	1	2	36%	(64%)
+ Add back: Impairment Callpa A/R	0	(3)	15	10	0	-	(100%)
+ Add Back: Impairment, Severance (Mex. Ops.)	0	0	0	0	0	-	-
Adj. EBITDA	**64**	**41**	**32**	**50**	**59**	**8%**	**57%**
Adj. EBITDA margin	*22%*	*14%*	*12%*	*18%*	*21%*	*111 bps*	*767 bps*
- capex	(9)	(22)	(8)	(6)	(4)	130%	(57%)
- interest	(1)	(15)	0	(15)	0	-	-
- taxes paid	(8)	(14)	(9)	(6)	(9)	(11%)	(6%)
- WK	(21)	25	3	(10)	(3)	588%	(839%)
- support to AJE Oportunidad	0	0	0	0	(1)	-	-
FCF (excl. lease payments and payments to immobilized suppliers)	**25**	**15**	**19**	**13**	**42**	**(41%)**	**29%**
- financial lease payments	(5)	(7)	4	(4)	(4)	21%	(215%)
- payments to immobilized suppliers	(1)	7	(7)	(0)	(1)	30%	-
FCF	**19**	**15**	**16**	**9**	**37**	**(49%)**	**18%**
Total Debt	**455**	**483**	**476**	**502**	**534**	**(15%)**	**(6%)**
Finance Lease Liabilities	33	34	2	4	8	302%	(3%)
Bank Loans	13	9	23	53	55	(76%)	44%
Debentures (Bonds)	408	438	449	442	468	(13%)	(7%)
Machinery and Equipment Financing	2	2	2	3	3	(40%)	(16%)
Cash and Equivalents	**32**	**39**	**46**	**57**	**72**	**(56%)**	**(19%)**
Net Debt	**424**	**444**	**430**	**445**	**462**	**(8%)**	**(5%)**
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Adj. Total Debt	**444**	**477**	**459**	**491**	**516**	**(14%)**	**(7%)**
Adj. Net Debt	**413**	**438**	**413**	**435**	**444**	**(7%)**	**(6%)**
LTM Adj. EBITDA	**165**	**160**	**150**	**155**	**138**	**20%**	**3%**
LTM Interest Expense	**37**	**39**	**40**	**44**	**43**	**(14%)**	**(4%)**
Leverage (Total Debt /LTM Adj. EBITDA (excl. impairments))	**2.7x**	**3.0x**	**3.1x**	**3.2x**	**3.7x**	**(1.1x)**	**(0.3x)**
Net Leverage (Net Debt /LTM Adj. EBITDA (excl. impairments))	**2.5x**	**2.7x**	**2.8x**	**2.8x**	**3.2x**	**(0.7x)**	**(0.2x)**

** Excludes impact of IFRS 16*

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Volumes ('000s 24 x 8 oz)	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q	FY19	FY18	y/y
Mexico	16,553	16,880	19,846	20,569	16,531	10%	(15%)	73,826	71,978	3%
Centam	33,090	26,732	33,191	33,456	29,934	(6%)	(19%)	123,313	121,269	2%
El Salvador	2,582	2,447	2,570	2,565	2,488	3%	(5%)	10,070	10,235	(2%)
Honduras	2,709	2,889	3,237	3,074	2,744	9%	(11%)	11,944	11,447	4%
Panama	1,816	1,804	1,744	1,917	1,874	9%	3%	7,339	6,566	12%
Costa Rica	2,023	2,100	1,967	1,999	1,877	12%	7%	7,943	11,520	(31%)
Guatemala	15,464	14,956	15,971	16,182	14,249	9%	(6%)	61,358	56,563	8%
Nicaragua	8,496	2,536	7,702	7,719	6,702	(59%)	(67%)	24,659	24,938	(1%)
Colombia	19,404	21,948	21,757	19,122	18,267	16%	1%	81,094	73,688	10%
Ecuador	15,538	16,558	14,992	16,361	15,109	15%	10%	63,020	50,713	24%
Peru	41,732	36,424	28,402	29,424	42,454	(0%)	28%	136,704	126,951	8%
Corporate	0	0	0	0	0	-	-	0	0	-
LatAm (Core) Operations	**126,317**	**118,542**	**118,188**	**118,932**	**122,295**	**4%**	**0%**	**477,957**	**444,599**	**8%**
Thailand	17,579	17,377	17,206	19,013	16,994	5%	1%	70,590	64,865	9%
Indonesia	1,646	1,708	1,197	2,418	1,998	(27%)	43%	7,321	10,146	(28%)
Total Continued Operations	**145,542**	**137,627**	**136,591**	**140,363**	**141,287**	**4%**	**1%**	**555,868**	**519,610**	**7%**

Revenue (US$MM)	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q	FY19	FY18	y/y
Mexico	32	30	32	35	29	20%	(7%)	127	116	9%
Centam	67	65	67	67	61	13%	(3%)	261	239	9%
El Salvador	5	5	5	5	5	4%	(4%)	21	21	0%
Honduras	8	8	9	8	8	8%	(10%)	33	31	6%
Panama	6	6	6	6	6	12%	4%	23	20	15%
Costa Rica	4	4	4	4	4	17%	4%	17	15	11%
Guatemala	29	28	30	30	27	10%	(7%)	116	108	7%
Nicaragua	14	14	13	13	12	29%	6%	51	44	17%
Colombia	33	36	36	33	33	10%	0%	139	138	1%
Ecuador	37	40	36	39	34	18%	10%	149	119	25%
Peru	88	82	65	68	93	2%	27%	308	286	8%
Corporate	0	1	0	0	0	-	-	1	0	#DIV/0!
LatAm (Core) Operations	**258**	**255**	**237**	**243**	**250**	**11%**	**7%**	**985**	**899**	**10%**
Thailand	30	25	28	32	28	(3%)	(9%)	113	98	15%
Indonesia	3	4	2	5	4	(3%)	66%	15	17	(14%)
Total Continued Operations	**291**	**284**	**267**	**279**	**282**	**9%**	**6%**	**1,113**	**1,014**	**10%**

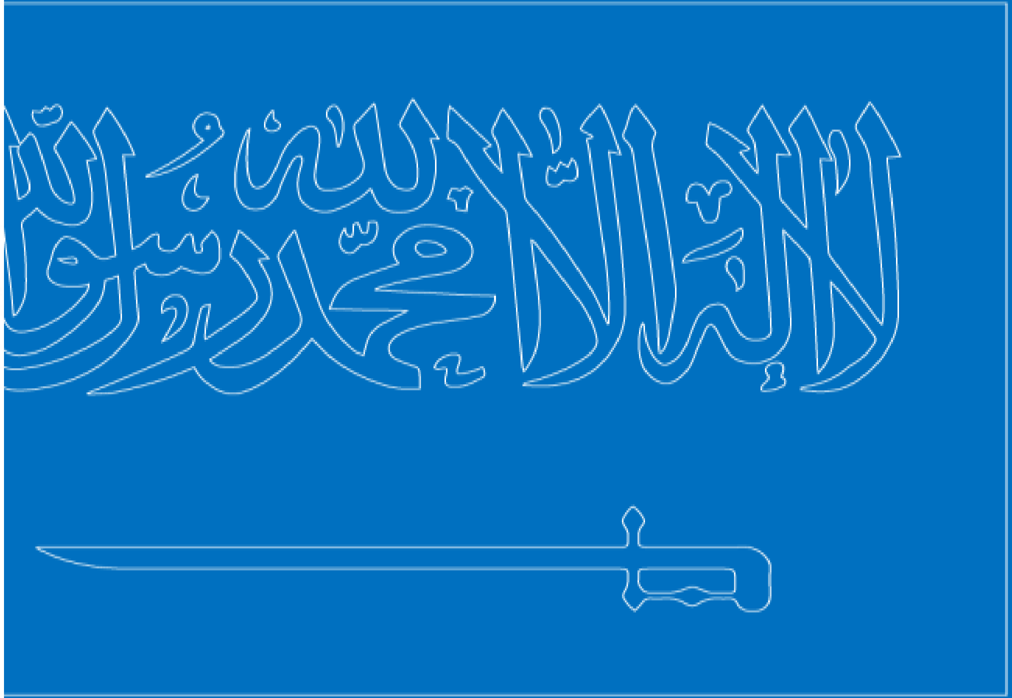
MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Adj. EBITDA (US$MM)	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q	FY19	FY18	y/y
Mexico	3	1	(0)	2	3	(48%)	(475%)	6	7	(14%)
Centam	16	16	14	16	16	58%	12%	62	53	17%
El Salvador	0	1	1	1	1	39%	10%	3	2	11%
Honduras	1	1	1	1	0	(17%)	5%	2	2	15%
Panama	1	1	1	1	2	23%	(0%)	6	4	38%
Costa Rica	2	2	0	1	1	132%	991%	4	3	37%
Guatemala	10	9	9	10	10	59%	(2%)	38	34	11%
Nicaragua	2	3	2	2	2	85%	5%	9	8	22%
Colombia	10	7	6	7	7	11%	13%	26	22	18%
Ecuador	14	12	10	11	9	48%	19%	42	27	56%
Peru	21	11	7	13	30	(26%)	53%	62	41	50%
Corporate	(6)	(3)	(21)	(13)	(9)	(58%)	(85%)	(47)	(32)	47%
LatAm (Core) Operations	**58**	**43**	**16**	**35**	**56**	**31%**	**174%**	**151**	**118**	**27%**
Thailand	6	1	3	5	4	(34%)	(55%)	13	6	107%
Indonesia	0	(1)	(2)	(0)	(1)	(71%)	(35%)	(4)	(6)	(39%)
Total Continued Operations	**64**	**44**	**17**	**40**	**59**	**38%**	**152%**	**160**	**119**	**35%**

Average Price (USD)	1Q20	4Q19	3Q19	2Q19	1Q19	y/y	q/q	FY19	FY18	y/y
Mexico	$1.94	$1.79	$1.63	$1.72	$1.75	9%	10%	$1.72	$1.61	7%
Centam	$2.02	$2.44	$2.03	$2.01	$2.03	20%	20%	$2.11	$1.97	7%
Colombia	$1.72	$1.66	$1.67	$1.74	$1.83	(6%)	(1%)	$1.72	$1.88	(8%)
Ecuador	$2.39	$2.40	$2.42	$2.36	$2.27	3%	(1%)	$2.36	$2.35	0%
Peru	$2.12	$2.26	$2.29	$2.31	$2.18	2%	(1%)	$2.25	$2.25	(0%)
LatAm (Core) Operations	**$2.04**	**$2.15**	**$2.01**	**$2.04**	**$2.04**	**6%**	**7%**	**$2.06**	**$2.02**	**2%**
Thailand	$1.68	$1.45	$1.61	$1.68	$1.66	(7%)	(10%)	$1.60	$1.52	6%
Indonesia	$1.88	$2.29	$1.97	$1.91	$1.89	32%	16%	$2.00	$1.67	20%
Total	**$2.00**	**$2.06**	**$1.96**	**$1.99**	**$2.00**	**5%**	**5%**	**$2.00**	**$1.95**	**3%**

SAUDI ARABIA



MARKET OUTPERFORM (SAUDI ARABIA):

DARALA 6.875% 22s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
DARALA 6.875% 04/10/2022	$500	B1 / - / -	98.44	7.86%

Dar Al Arkan (DARALA) was founded in 1994 in Riyadh (Kingdom of Saudi Arabia (KSA)) by six prominent families to address growing population and need for quality, affordable hosing. The company is the largest publicly traded real estate company in the country – listed on the Saudi Stock Exchange (Tadawul) since 2007 with 30% in free-float. Dar Al Arkan has three core business segments: land development (83%), sales of residential properties (11%) and property management & leasing (6%)

PROS:

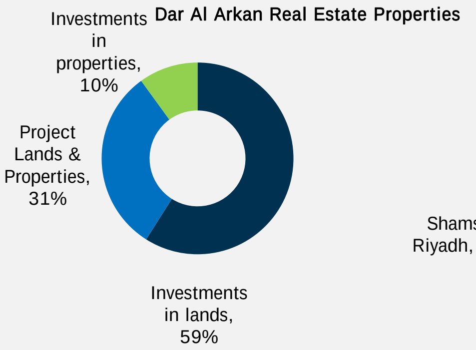
- Location, location, location – the company's land bank is in Tier I cities of the KSA: Riyadh, Medina and Jeddah – as well as in the desirable Eastern Province
- Royal Family is the largest landowner in the KSA – absolute royal control over the oil-rich 830,000 mi² - the company's solid connection to the largest landowner in the country allows for a steady revenue of its land trading business (80% plus of total revenue)
- Government Support for Real Estate Sector:
  - as a part of a plan to diversify the country's economy away from hydrocarbons and
  - to address growing population and need for quality, affordable housing
- Solid Liquidity – cash & equivalents position is sufficient to cover all maturities through 2023
- Debt to Equity of under 0.5x & Positive Net Working Capital, an asset

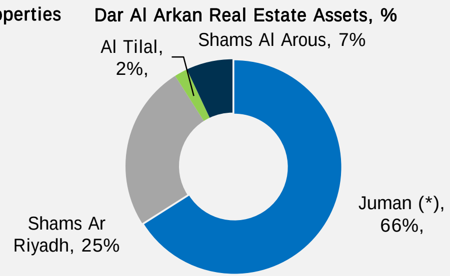
CONS:

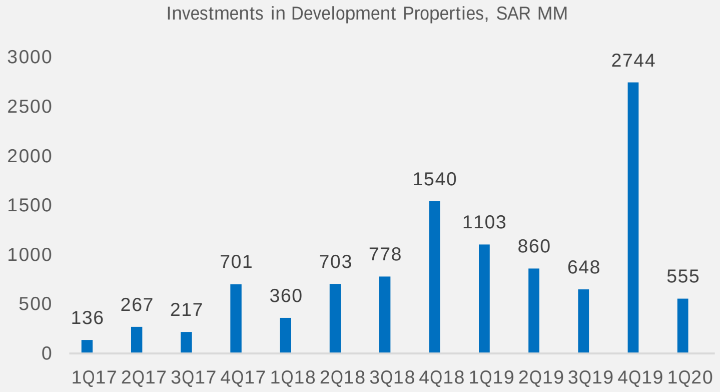
- Economic Environment – weakened due to lower oil prices – the situation has improved since hitting record lows in March 2020, but, at just over $40/barrel, remain well below the 2019 levels
- Regulatory Environment:
  - in May 2020, an increase to the VAT rate was announced as a measure to address the fiscal imbalance caused by a decrease in consumer and commercial spending and the cost of healthcare initiative implemented as a result of COVID-19 outbreak as well as the loss of oil and tax revenues. Starting July 1, 2020, the VAT is 15% (up from 5%)
  - Nov 2015 – 'white tax' of 2.5%, in compliance with Sharia Law – aimed at reduction of underdeveloped land in the urban areas of the KSA, a form of penalty for vacant land
- Revenue Concentration – land sales, historically, account for the largest part of the company's revenue (83%)

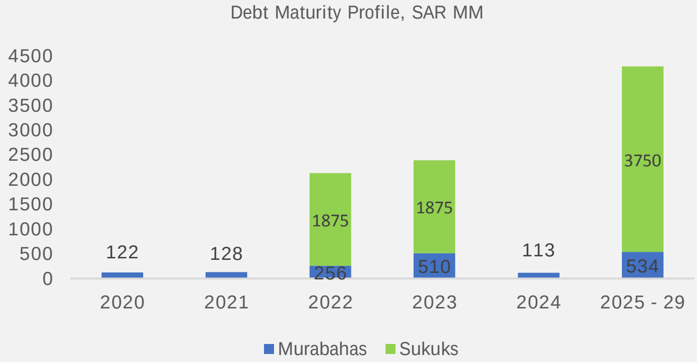
MARKET OUTPERFORM (SAUDI ARABIA):

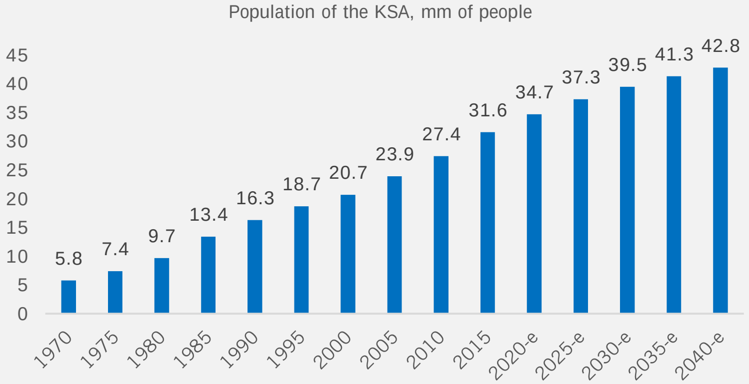
DARALA 6.875% 22s











MARKET OUTPERFORM (SAUDI ARABIA):

DARALA 6.875% 22s

1Q20 Financial Results – Expectedly Weaker, but Not Awful

- Revenue – SAR 593 mm (-28% y/y and -29% q/q) – declined on lower development land sales (-36% q/q), the largest contributor to the company's total revenue; the strengthening trend in real estate market in 2019 carried into early 1Q20
  - Development properties (land plots) – SAR 490 mm (-36% y/y and q/q) - 82.7% of the total revenue vs. 91.1% in 4Q19: deals are, usually, very large and preparations take months (one sale in this segment can make the whole quarter)
  - Residential properties – SAR 65 mm (+160% y/y and +61% q/q) - 11% of the total revenue vs. 4.8% in 4Q19: on July 1, 2020, VAT (paid by a buyer) increases to 15% from the current 5%, which, in part fueled residential sales
  - Lease revenue – SAR 37 mm (+9% y/y and q/q) – 6.3% of the total revenue:
    - ~ 50% of leasing revenue comes from residential sector
    - Mall rentals – the retail in the country was closed March 16 – April 28, 2020: although the government has not announced any specific support measures for the retailers, as it stands it is looking like a rent holiday for 45 days in cases where it is justifiable and needed, according to management: the total mall revenues are rather small vs. total revenue, so the impact would be largely immaterial

- Gross margin – improved sequentially to 27% (+2pp q/q) as costs were lower (-10% q/q) and product mix improved commanding a better prices in some cases

Sales, MM USD	1Q20	1Q19	4Q19	y/y	q/q
Sales of development properties	130	204	204	-36%	-36%
Sales of residential properties	17	7	11	159%	60%
Revenue from leasing of properties, MM SAR	10	9	9	9%	8%
Total Sales	158	220	224	-28%	-30%

Income Statement, MM USD	1Q20	1Q19	4Q19	y/y	y/y
LTM Revenue	866	1,184	931	-27%	-7%
Revenue	158	220	224	-28%	-30%
Cost of Revenue	115	177	167	-35%	-31%
Gross Profit	43	42	57	0%	-25%
SGA expenses	12	11	14	10%	-11%
D&A	4	4	7	2%	-47%
Operating Profit	30	31	43	-3%	-30%
EBITDA adjustment	13	8	9	58%	45%
EBITDA (Op Profit + A&D)	34	35	50	-3%	-32%
EBITDA	47	43	59	9%	-20%
LTM EBITDA	229	211	225	8%	1%
EBITDA margin	30%	20%	26%	10pp	4pp
LTM EBITDA margin	26%	18%	24%	8pp	2pp
Gross margin	27%	19%	25%	8pp	2pp
Equity Income	1	0	1	-444%	-7%
Net Income	3	7	18	-52%	-82%

MARKET OUTPERFORM (SAUDI ARABIA):

DARALA 6.875% 22s

1Q20 Financial Results – Expectedly Weaker, but Not Awful (continued)

- EBITDA – SAR 177 mm (+9% y/y and -20% q/q) – followed the top line dynamic and declined sequentially
- EBITDA margin – improved to 30% (+10pp y/y and +4pp q/q)
- Positive Net Working Capital, an asset – increased 7% q/q to SAR 3,754 mm (0% y/y and +7% q/q) on increased A/R (+7% q/q)
  - management is rather confident in its ability to collect as 97% is related to land sales, which is usually a long-standing relationship plus the title remains with the company until it receives the full payment
- Land bank – remained generally unchanged sequentially at SAR 19,908 mm (+16% y/y and +1% q/q) with just SAR 555 mm invested in 1Q20
  - the company is always on a look out (at the moment, it has six years-worth of inventories)
  - For the next 18 – 24 months, the company planned to spend ~ SAR 400 – 500 mm on all its projects (Dubai, Juman, etc) – but given the current environment surrounding COVID-19, these plans are delayed as the company prefers to have ample liquidity
- Total liabilities (i.e. net debt) comprised 21% of the company's land bank (+2pp q/q), resulting in an excess book value of SAR 24,081 mm (+2% q/q)

Land Bank Financing, MM USD	1Q20	1Q19	4Q19	y/y	q/q
Development Properties, net	89	92	89	-3%	-1%
Accounts Receivable (A/R), incl	1,136	1,155	1,061	-2%	7%
A/R	935	965	860	-3%	9%
Advance Payments to buy land	149	149	149	0%	0%
Accrued Revenue	1	3	3	-77%	-76%
Prepayments	52	38	49	36%	5%
ST investment trading	0	0	0	0%	0%
Accounts Payable (A/P), incl	(192)	(244)	(184)	-21%	5%
A/P	(88)	(136)	(72)	-35%	23%
Due to related parties	(50)	(50)	(50)	0%	0%
Accruals	(36)	(22)	(39)	65%	-8%
Unpaid Dividend	(9)	(9)	(9)	0%	0%
Lease Liability	(0)	(0)	(0)	-55%	-7%
Unearned revenue	(8)	(26)	(12)	-70%	-37%
Customer Advances	(36)	(0)	(29)	n/a	23%
Net Working Capital (WC)	997	1,002	938	-1%	6%
Investment Properties, net	436	449	440	-3%	-1%
Long-Term Development Properties	4,524	3,894	4,504	16%	0%
PP&E	21	22	21	-6%	-3%
Investment in Associates & JVs, incl	308	220	308	40%	0%
Land bank	5,288	4,584	5,273	15%	0%
Net Debt	1,108	439	1,008	152%	10%
Land Bank	5,288	4,584	5,273	15%	0%
Excess book value	6,397	5,024	6,281	27%	2%
Financing as % land bank	21%	10%	19%	11pp	2pp

MARKET OUTPERFORM (SAUDI ARABIA):

DARALA 6.875% 22s

1Q20 Financial Results – Expectedly Weaker, but Not Awful (continued)

- Gross Debt – increased to SAR 9.1 billion (+17% q/q) as Dar Al Arkan issued US$400 mm (SAR 1.5 billion) seventh tranche of its sukuk issuance under its Islamic Sukuk Programme at a profit rate of 6.875% in Feb 2020
    - The company's debt consists primarily of Islamic financing, namely sukuk (bonds) and murabaha (loans) facilities
    - Well over 90% is long-term debt; maturities are spread as follows: SAR 319 mm (1Q20), SAR 122 mm (the remainder of 2020), SAR 128 mm (2021), SAR 2,131 mm (2022), SAR 2,385 mm (2023), SAR 113 mm (2024) and SAR 4,284 mm (2025 – 2029)
    - In the foreseeable future, the company plans neither new bond issuances nor bond buy-backs

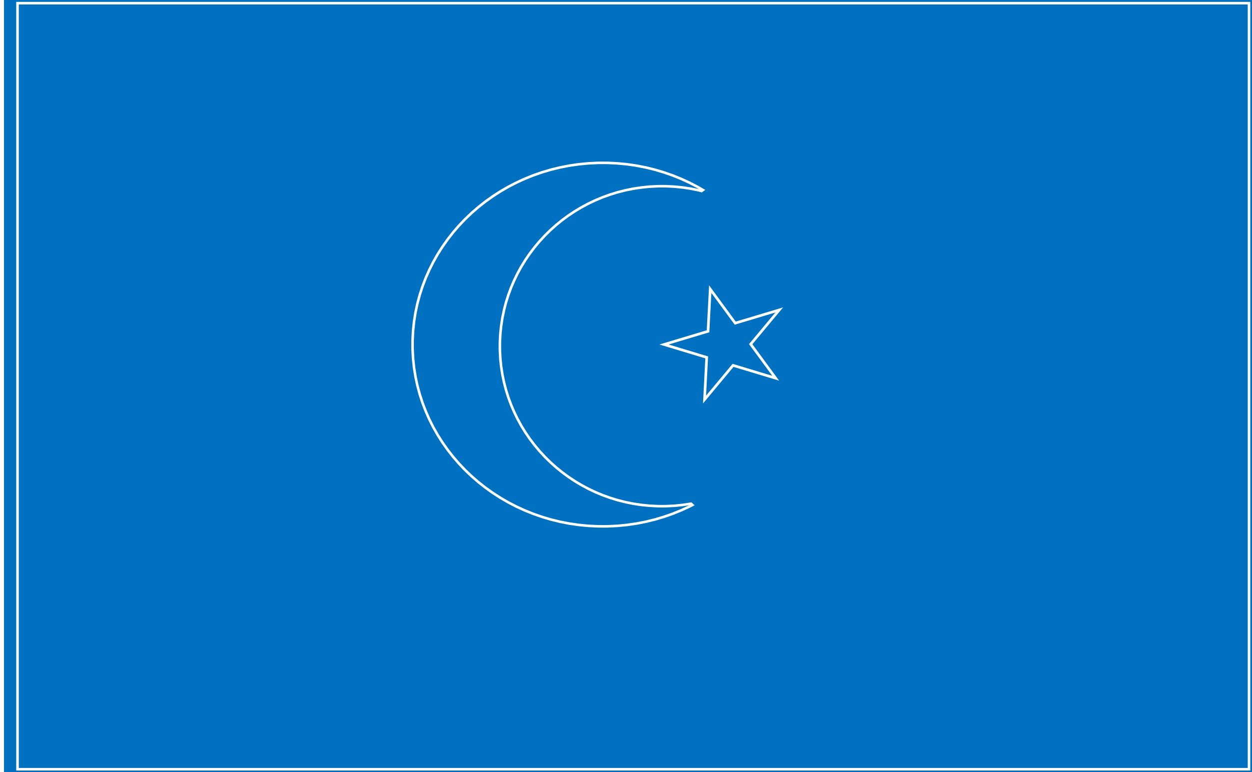
- Liquidity – as at end-1Q20, the company had SAR 4,880 mm in cash (+24% q/q) vs. ~SAR 96 mm in short-term debt (-94% q/q), effectively covering debt repayments through 2023
    - The company's focus is on preserving liquidity; management plans to have SAR 500 mm in cash at all times, given the current situation

- Net Leverage – edged to 4.8x (vs. 4.5x in 4Q19)

- Positive FCF (pre-WC) – albeit lower q/q on declined profitability; turning negative post-WC as the company invested (although lower q/q) in replenishing its development properties: working capital outflow in 1Q20 was SAR 369 mm was notably lower than in 4Q19

Debt, MM USD	1Q20	1Q19	4Q19	y/y	q/q
Gross Debt	2,405	1,695	2,061	42%	17%
Short Term Debt	26	458	108	-94%	-76%
Long Term Debt	2,379	1,237	1,953	92%	22%
Total Cash	1,296	1,256	1,053	3%	23%
Cash	1,296	1,256	1,053	3%	23%
Restricted Cash	0	0	0	0%	0%
Net Debt	1,108	439	1,008	152%	10%
LTM EBITDA	229	211	225	8%	1%
Equity	5,053	4,994	5,067	1%	0%
LTM Gross Leverage	10.5x	8.0x	9.1x	31%	15%
LTM Net Leverage	4.8x	2.1x	4.5x	133%	8%
Gross Debt/Equity	0.5x	0.3x	0.4x	40%	17%
Net Debt/Equity	0.2x	0.1x	0.2x	149%	10%
FX (SAR/USD)	3.76	3.75	3.75	0%	0%

FCF, MM USD	1Q20	1Q19	4Q19	y/y	q/q
EBITDA	47	43	59	9%	-20%
Interest	(37)	(30)	(34)	21%	8%
Capex (maintenance)	(0)	(1)	(2)	-51%	-79%
Taxes	(0)	(0)	(0)	0%	0%
FCF (pre WC)	10	12	24	-17%	-57%
WC, Net Change (incl investment in dev properties)	(98)	(2)	(563)	4096%	-83%
FCF (post WC)	(88)	10	(540)	-985%	-84%



TURKEY

MARKET OUTPERFORM (TURKEY):

TSKBTI 6.000% 25s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
TSKBTI 6.000% 01/23/2025	$400	B3 / - / B+	96.25	6.98%

TSKB is a Turkish development and investment bank, with a 1% market share in terms of loans. The company provides funding for project development, which are in most cases funded through LT loans obtained from supra-national organizations guaranteed by the Turkish Treasury. The bank is 51% owned by Isbank, 8% by Vakif and the remaining 41% is free-float.

PROS:

- Access to long-term funding from DFIs, which in turn are mostly guaranteed by the Turkish Treasury (51% of funding at Mar20 had Treasury guarantees)
- Average term of funding is more than 10 years, while average maturity of loan book is 5.5 years, providing significant alleviation to liquidity
- A significant portion of the loan portfolio has project collateral
- Due to its capacity to obtain low cost funding, the bank can provide loans at very competitive prices which, added to the collateral support, result in a very low NPLs of 3.4% at Mar20 compared to 4.8% for the Turkish banking sector
- FX risk mitigated, as 90% of loan portfolio is denominated in USD
- Access to funding has remained, as proven by the EUR200mm obtained in July from AIIB and EUR103mm from a syndicated loan. Its last bond issuance of Jan20 was more than 10 times oversubscribed
- Very low cost structure, with 13% Cost / Income ratio in 1Q20 and a consistent record of ROAE at double digits in the past several years.

CONS:

- Covid19 will significantly weigh on development projects. At Mar20, nearly 40% of loans were given to the troubled energy sector. Cash interest collected to interest accrued ratio has been below 90% for the past years, averaging 82% in 2016-2019
- Erdogan efforts to nationalize the stake of CHP party in Isbank, which would give the state control over the Board of the bank and, indirectly, over TSKB. Still, we note that given its role as guarantor, there is already a strong presence of the state in the bank's activities and, through Vakif's stake, a board representative
- Ability to access collateral is lengthy and costly resulting in a limited number of occasions where collateral is seized
- Small scale and diversification compared to the big commercial banks in possession of most of the bonds outstanding of the sector
- Recent CBT regulations on capital ratio forbearances, on delays to recognize NPLs and 90 days payment holidays awarded will distort real asset quality and capitalization metrics for the whole industry

MARKET OUTPERFORM (TURKEY):

TSKBTI 6.000% 25s

Analysis of 1Q20 results

- Gross loans decreased 2% q/q in USD terms, mainly currency of lending, to US$5,175mm
  - TRY lending decreased to 9% from 10% in previous quarter
- NPLs decreased 10bps q/q to 3.4%
- Share of stage 2 loans share in total remained unchanged at 10.6%
- Provisioning for the quarter grew 70% q/q to US$37mm
- Coverage ratio (Total provisions / NPLs) improved to 90% from previous 80% in 4Q19
- Interest collected per cash flow statement was soft at 83% compared to 89% in FY19
- Total liability funding decreased 6% q/q to US$5,561mm
- Loans to total funding ratio increased to a still sound 93%
- Liquidity strengthened, as cash and equivalents to funding improved to 27%
- According to the bank, average tenure of funding sources is 11 years compared to 5 years average tenure of the lending portfolio
- Net Interest Income before provisions increased 1% q/q to US$73mm
- NIM on a swap adjusted basis strengthened 10bps q/q to 4.1%
- Cost / Income strengthened 70bps q/q to 12.7%
- Net income decreased 11% q/q to US$26mm as higher provisioning more than offset the lower cost / income
- ROATE slightly contracted 10bps q/q to 13.4%
- Total CAR contracted 200bps q/q to 15.8%, increasing to 17.5% if including forbearances. Minimum CAR level is 10.51%
- CET1 and TIER1 weakened 170bps q/q to 10.7%, growing to 12.0% if including forbearances. Minimum CET1 level is 7.01% while minimum TIER1 is 8.51%
- Recall forbearances allow banks to use the year-end FX rate and eliminate the mark to market losses of securities valued under equity method
- According to management, each 10% depreciation of the TRY impacts CAR by 70bps and TIER1 by 85bps

TSKBTI (USD MM)	1Q20	1Q19	4Q19	y/y	q/q
Financial income	127	161	123	(21%)	4%
Financial expenses	(54)	(66)	(50)	(19%)	7%
NII before provision	73	95	72	(23%)	1%
Provisions	(37)	(32)	(21)	15%	70%
Income from services, net	4	1	2	144%	105%
Operating expenses	(9)	(9)	(9)	2%	3%
Net income	26	35	29	(24%)	(11%)
NIM	4.1%	4.5%	4.0%		
Efficiency ratio	12.7%	11.1%	13.4%		
ROAA	1.4%	1.9%	1.8%		
ROAE	13.4%	14.8%	13.5%		

TSKBTI (USD MM)	1Q20	1Q19	4Q19	y/y	q/q
Gross loans	5,175	5,235	5,280	(1%)	(2%)
Total funding	5,561	6,228	5,920	(11%)	(6%)
NPL/gross loans	3.4%	2.1%	3.5%		
Loans to total funding	93%	84%	89%		
Cash and equivalents to funding	27.4%	24.8%	22.9%		
Capital Ratio	15.8%	16.0%	17.8%		
TIER1	10.7%	10.7%	12.4%		

MARKET OUTPERFORM (TURKEY):

TSKBTI 6.000% 25s

PEER TABLE

(TRYbn)	ZIRAAT	ISBANK	YAPIKREDI	AKBANK	GARANTI	VAKIF	TSKB	EXCRTU
	1Q20	1Q20	1Q20	1Q20	1Q20	1Q20	1Q20	1Q20
Bank nature	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Development	Export Credit
Senior bond maturity	2023	2024	2024	2025	2024	2025	2025	2024
Duration	2.9	3.4	3.6	4.2	4.0%	4.0	3.9	3.0
Senior bond yield	6.7%	6.9%	6.7%	6.2%	6.6%	7.4%	7.3%	6.7%
Gross loans	481	298	261	232	298	312	34	147
NPLs (%)	2.7%	6.0%	7.1%	6.7%	6.5%	5.3%	3.4%	0.4%
Stage 2 loans	6%	12%	15%	12%	13%	10%	11%	2%
Deposit base	490	308	253	271	296	268	n/a	n/a
Loans to deposits	98%	97%	101%	86%	101%	116%	n/a	n/a
BCP liquidity ratio (*)	33%	40%	40%	46%	38%	30%	27%	14%
NIM	6.4%	4.9%	3.7%	5.6%	5.9%	5.2%	4.1%	1.1%
Cost / Income	36.5%	38.7%	36.2%	33.8%	35.7%	20.6%	12.7%	46.2%
ROAA	1.1%	1.2%	1.1%	1.3%	1.5%	1.6%	1.4%	0.9%
ROAE	10.5%	9.9%	10.9%	9.6%	12.4%	20.6%	13.4%	18.7%
Total CAR	14.7%	17.2%	15.8%	18.8%	16.6%	14.1%	15.8%	19.1%
CET1	11.9%	13.3%	11.8%	16.0%	14.0%	9.1%	10.7%	13.1%
Interest collected / Interest accrued	95%	94%	97%	94%	84%	86%	83%	96%

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

Yields per BBG as of July 2nd, 2020

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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 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.

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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

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