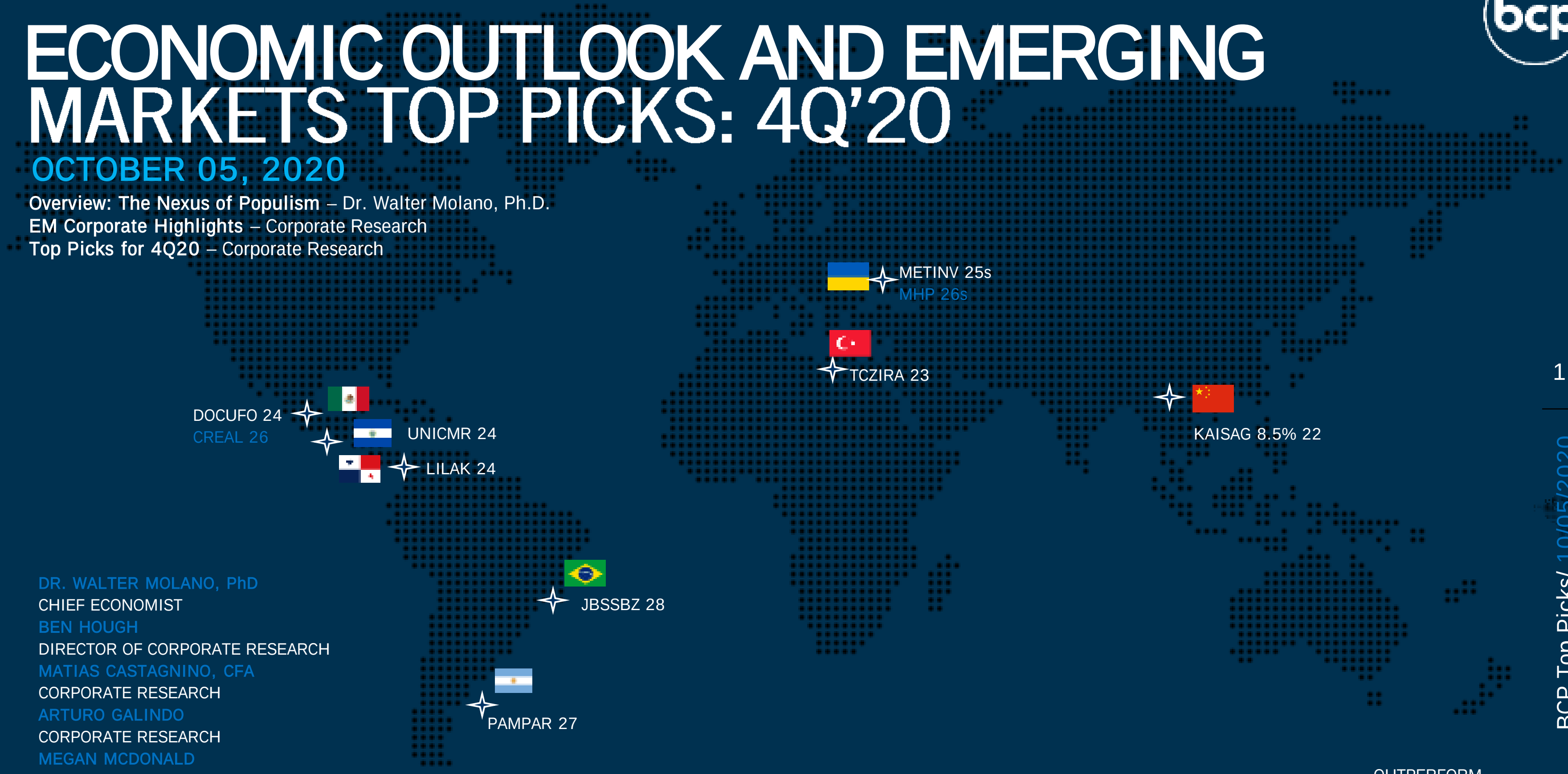
ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 4Q'20

OCTOBER 05, 2020

Overview: The Nexus of Populism – Dr. Walter Molano, Ph.D.
EM Corporate Highlights – Corporate Research
Top Picks for 4Q20 – Corporate Research



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OUTPERFORM
UNDERPERFORM
SWAP

OVERVIEW: BUDGET SEASON

Budget season is upon us, as governments around the world establish their parameters for next year's fiscal policy. While budget season is important in any year, this time it will provide important insights into the assumptions governments are using following the devastating impact of the COVID-19 pandemic. Mexico is a good place to start. In contrast to many governments, which are throwing fiscal discipline out the window, the Administration of Andres Manuel Lopez Obrador has decided to implement an austerity budget for 2021. Their aim is to eliminate the primary budget deficit in order to reduce the stock of sovereign debt. Mexico's debt to GDP ratio is estimated at 54.7% this year, but the government intends to reduce it to 53.7% of GDP by the end of next year. Of course, the administration is using several optimistic assumptions to get there. To begin with, it is assuming a GDP growth rate of 4.6% y/y in 2021, which is much higher than the 3% y/y consensus forecast. It is also using an average annual oil price of $42.10, which is on the high side of market expectations. Last of all, it is assuming an average daily oil production rate of 1.847 million barrels per day, which is also on the high side of expectations. Nevertheless, the government's attempt to rein in the fiscal deficit will be welcomed by the rating agencies, which have had Mexico in their crosshairs for some time. It is also helping to explain the continued strength of the currency. Nevertheless, the Mexican government seems to be bucking the global trend towards more fiscal largess.

Brazil is another country following the Mexican trend, by showing a remarkable level of fiscal restraint. The Administration of Jair Bolsonaro submitted its proposed budget at the end of August, using a GDP growth rate assumption of 3.2% y/y for 2021. This was actually a little lower than the consensus forecast of 3.5% y/y. One of the constraints to the government's budgetary planning is the fiscal responsibility rule, which limits the shortfall. This forced the government to scrap a new social program called Renda Brasil, which was supposed to replace former President Luiz Inacio Lula da Silva's very popular Bolsa Familia program. New government assistance programs significantly boosted President Bolsonaro's popularity during the pandemic, and it was why he wanted to promote Renda Brasil. Local economists argued that the circumstances of the COVID-19 pandemic justify a breach of the fiscal rules. However, the spending cap is constitutionally mandated and Finance Minister Paulo Guedes is refusing to violate the rule. This has created a bit of tension within the government. Nevertheless, the tough fiscal position could be one of the reasons why the Brazilian currency has finally found a floor and is starting to recover.

Argentina is another country in the midst of its budgetary preparations for 2021. Unfortunately, unlike Mexico and Brazil which are showing restraint, the left-of-center Fernandez Administration is pulling out the spending stops. No longer constrained by its need to service its debt, it is shooting for a primary fiscal deficit of 4.5% of GDP. Fortunately, it will monetize the shortfall without creating additional inflationary pressures. This is the reason why the government is expecting the inflation rate to fall to 29%, which is significantly less than the 46.5% market consensus. The government is also wishing for a GDP growth rate of 5.5% y/y in 2021, well above the market consensus of 4.5% y/y growth. It hopes to do this by increasing public sector spending; directing funds into many of the infrastructure programs that were started during the previous administration. It's hard to see how this populist administration will attract much investment from the private sector. One of the many populist measures the government is considering is a solidarity tax, which will be a onetime levy on the richest individuals in the country. Not surprisingly, many of these households are picking up and moving to Uruguay, marking another exodus of the country's physical and human capital. Another interesting country that is working on next year's budget is Ukraine. The government is expecting a GDP growth rate of 4.6%, which means that there will probably be a significant payment of the GDP warrants in 2022. This is probably the reason why the government has been buying back its GDP warrants in the secondary market. As it stands now, the fiscal deficit will be 6% of GDP in 2021, and it is forcing the government to consider higher taxes on a range of consumer products—which would only serve to cool the economy. Nevertheless, the various budgetary exercises across the emerging markets underscore the assumptions governments are using for next year. It is clear that most are expecting a solid bounce from the pandemic, which means that they are assuming some sort of vaccine or mitigation of the spread. This could provide a ray of hope for investors.

Dr. Walter Molano, Ph.D.
September 21, 2020

EM HIGHLIGHTS 3Q'20

Argentina

- After months of intense negotiations, the Argentine government reached agreement with 99% of bondholders to restructure its debt
- According to the INDEC, 2Q20 GDP contracted 19.1% y/y and 16.2% q/q, while latest inflation data as of August showed prices increased 40% y/y and 2.7% 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, although having been softened in some regions and economic sectors.
- Due to the decrease in foreign reserves, in September the Central Bank issued a series of measures that further tightened the access to f/x in the country, including corporates with monthly f/x debt maturities above US$1mm through March 31st, 2021 must present a debt restructuring plan to the Central Bank, which should consider at least a 2-year extension of 60% of the maturities
- At the end of September, the Province of Mendoza announced that it reached an agreement with the ad-hoc group of over 75% of bondholders and, as a result, the province expects to complete its restructuring in early October
- In mid-August, the Province of Neuquen presented a debt restructuring for the 28s and 25s, which was later rejected by a creditor group. Current deadline is October 9th
- In mid-September, the Province of Cordoba presented a debt restructuring for the 21s, 24s and 27s, which was later rejected by a creditor group
- Additionally, the Province of Chaco, Entre Rios, La Rioja and Rio Negro entered into selected default after expiration of the grace period for coupon payments, while the province of Tierra del Fuego said it formally begun conversations with bondholders to restructure
- In early September, CGCSA successfully exchanged 68.9% of its senior 21s for 95c of new senior 25s and a 10c cash payment
- In mid-September, IRSCP paid US$140mm, meeting the full maturity of its 2020 local notes
- In end-September, a Tel-Aviv court resolved that IDBD, IRSA's holding company for its assets in Israel, is insolvent and issued an order for its liquidation after failing to reach an agreement with its bondholders, which total more than US$600mm. Per the company, this doesn't affect operations in Argentina
- In mid-August, MSU Energy successfully commissioned the closing cycle of its Villa Maria and General Rojo plants, adding 100MW of installed capacity, while in mid-September YPFLUZ commissioned its 100MW Los Teros I wind-farm

EM HIGHLIGHTS 3Q'20

Brazil

- Brazilian GDP contracted 2.2% y/y in 2Q20
- Market expects 5.04% y/y GDP contraction for 2020, according to the Central Bank of Brazil
- Brazil's basic interest rate SELIC hit a record low of 2.0% after a 25bps cut in August 2020
- Inflation rate of August 2020 LTM was 2.44%, down from 4.31% in December 2019
- Although we already note gradual loosening from lockdown restrictions and operations going back to normal, unemployment rate reached 14.3% in August
- 3Q20 had a high number of IPOs in the national stock exchange (B3)
- Brazil has more than 4,732,309 cases of COVID-19 in all states and 141,776 confirmed deaths according to the Ministry of Health (as of September 28)
- The country also has 4,172,711 recovered patients (as of September 28)
- Government measures to reduce the Coronavirus impact sum R$607bn and include aid packages to informal workers and unemployed and temporary tax reductions
- Approval rates of the Bolsonaro administration increased to 40%, compared to 29% in December 2019
- Among charges of power abuse, Rio de Janeiro Regional Electoral Court decided mayor Marcelo Crivella can't run for office until 2026 (can still appeal the decision)
- Governor of Rio de Janeiro, Wilson Witzel, removed from office since August 28 under corruption charges, faces impeachment process
- Municipal elections are scheduled for November 2020, as campaigning initiated throughout the country
- Pantanal region had record wildfires

China

- Caixin manufacture PMI in July and August was 52.8 and 53.1. Caixin service PMI was 54.1 and 53.1.
- From Jan to Aug, total exports increased 0.8% y/y, total imports decreased 2.3% y/y, trade surplus increased 17% y/y.
- In July, number of passenger cars sold increased 9%. Number of road and railway passengers combined decreased 42% y/y.

EM HIGHLIGHTS 3Q'20

China (continued)

- SAFE tolerated Renminbi's 4% appreciation against USD, as the central government is opening onshore financial markets to foreign institutions. USD/CNY has been under 7.0 since August.
- LPR remained unchanged since April.
- PBOC introduced "345 Rule" on twelve residential property developers with a three-year transition period. The regulation is expected to be applied to all developers in Jan 2021. Growth of interest-bearing debt of developers categorized in four risk groups will be restricted accordingly. Developers are also required to report information like fund sources & uses, net gearing, cash / STD to PBOC on a monthly basis.
- Evergrande reported to Guangdong Provincial Gov't that if its back-door listing plan was not approved by China Securities Regulatory Commission. The company was likely to default and trigger systemic financial risk.
- Chinese navy and air force conducted more than nine military dills in August.

Mexico

- Mexico's Central Bank decreased the base interest rate to 4.25% from 5.00% through two consecutive cuts of 50 bps and 25 bps in August and September.
- During September's first fortnight, Mexico's inflation rate stood at 4.1% vs Banxico's target of 3.0% +/- 1%. In August, the unemployment rate was 5.2% vs 5.4% in July and 3.7% in January.
- S&P lowered Mexico's 2020 economic decline estimate to 10.4% from 8.5% yet mentioning that this not necessarily mean another credit rating downgrade.
- In late September, the Ministry of Finance announced new measures for financial institutions to adjust payment schemes. The adoption of these criteria will be at each bank's discretion. S&P mentioned that bank profits could decrease by 50% during 2020, and return to pre-pandemic levels in 2022
- Industrial activity decreased by 11% y/y in July registering 22 months in negative territory. Car sales decreased by 23% during September yet increased by 1% on a monthly basis.

EM HIGHLIGHTS 3Q'20

Mexico (continued)

- In August, Volaris registered 65% of pre-pandemic traffic levels, followed by Viva Aeorbus (53%) and Aeromexico (36%). Interjet continues as the most affected airline, with only 3% of pre-pandemic levels.
- The Mexican Ministry of Tourism expects to close the year with a 43% hotel occupancy, with international tourism decreasing by 65% y/y.
- The National Association of Auto Service and Departmental Stores (ANTAD) expect sales to recover to pre-pandemic levels in 2022
- In late September, AMLO met with the energy regulators to discuss his energy memorandum sent in July. They agreed Pemex and CFE will be favored and they will review the current legal framework and if necessary, propose a new energy reform next year.
- As of October 1st, 2020, Mexico had 743,216 confirmed covid-19 cases and 77,646 deaths.
- 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 late September, all states had already moved away from the maximum risk level, 15 states are in high risk, 16 in medium risk and one in low risk.
- In August 2020, Pemex upstream production was stable at 1.6 million bbls/d vs July
- AMLO seeks to end contract with Braskem-Idesa, following the corruption case against Pemex's former director with Odebrecht. Yet, Braskem-Idesa carried out an internal investigation confirming no inappropriate activity or link with the acts of Odebrecht Mexico

Sub-Saharan Africa

- The Nigerian economy contracted 6.1% y/y in 2Q20, while Ghana's economy in turn decreased 3.2% y/y and South African economy shrunk 17.1% y/y
- The Nigerian Central Bank unexpectedly cut rates in end-September by 100bps to 11.5% despite the peak of inflation registered in August
- The Central Bank of South Africa cut rates for five consecutive meetings to 3.5%
- In late-July the IMF approved US$4.3bn in emergency funding for South Africa
- Given its increasing fiscal deficit and external debt, S&P downgraded Ghana's rating to B-

EM HIGHLIGHTS 3Q'20

Sub-Saharan Africa (continued)

- In early-September, Kosmos announced a farm down of portfolio of exploration assets to Shell for US$100mm plus future contingent payments for another US$100mm. Additionally, in early October the company announced the closure of a US$200mm borrowing facility secured by Gulf of Mexico assets
- In mid-August, Helios Towers announced the agreement to purchase 1,220 towers in Senegal for a cash consideration of US$189mm, and with a commitment to build an additional 400 sites

Turkey

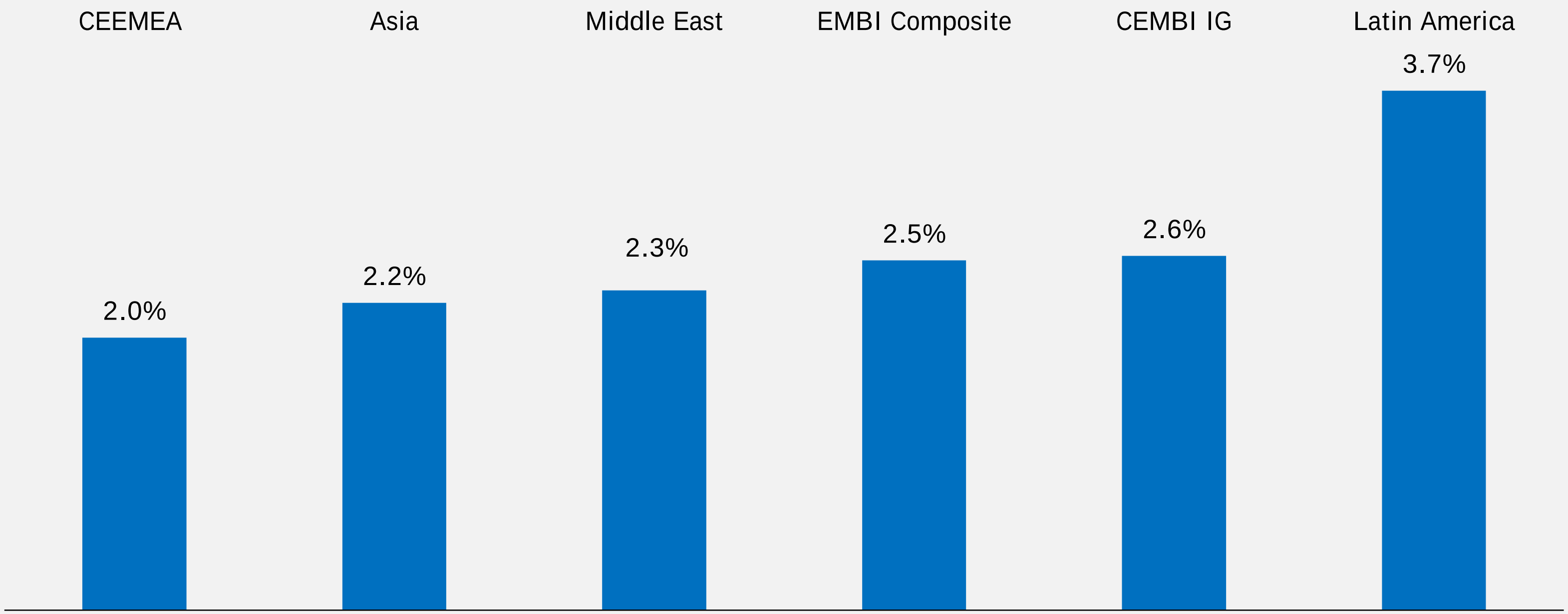
- GDP contracted 9.9% y/y in 2Q20 and 11% q/q
- The TRY has depreciated 15% since July 1st , reaching a record high of 7.84
- After embarking into a strong rate cut program, the CBT raised its policy rate by 200bps to 10.25%
- Given the foreign reserves deterioration, currency depreciation and current account deficit, S&P downgraded the sovereign to B+ while Fitch revised its outlook to negative
- In August, President Erdogan announced the biggest natural gas discovery ever in the Black Sea of 320bn cubic meters, with claims that it can reach Turkish consumers by 2023 and would significantly reduce Turkey's gas import needs
- Controversy in the Eastern Mediterranean continue as Turkey continues its gas exploratory activities, which are currently disputed by Cyprus and the EU. Additionally, the country has pledged its military support to Azerbaijan in the ongoing conflict with Armenia, while it continues with its presence in Libya in Northern Africa
- In mid-August, the banking regulatory (BDDK) slightly reduced its recently introduced asset ratio by 5 p.p. to 95% for commercial lenders, after the country experienced its fastest loans growth since 2008
- The U.S. District Court confirmed Halbank's trial date for March 2021
- Turkey extended until year-end the cap on corporate dividends to 25% of distributable income

EM HIGHLIGHTS 3Q'20

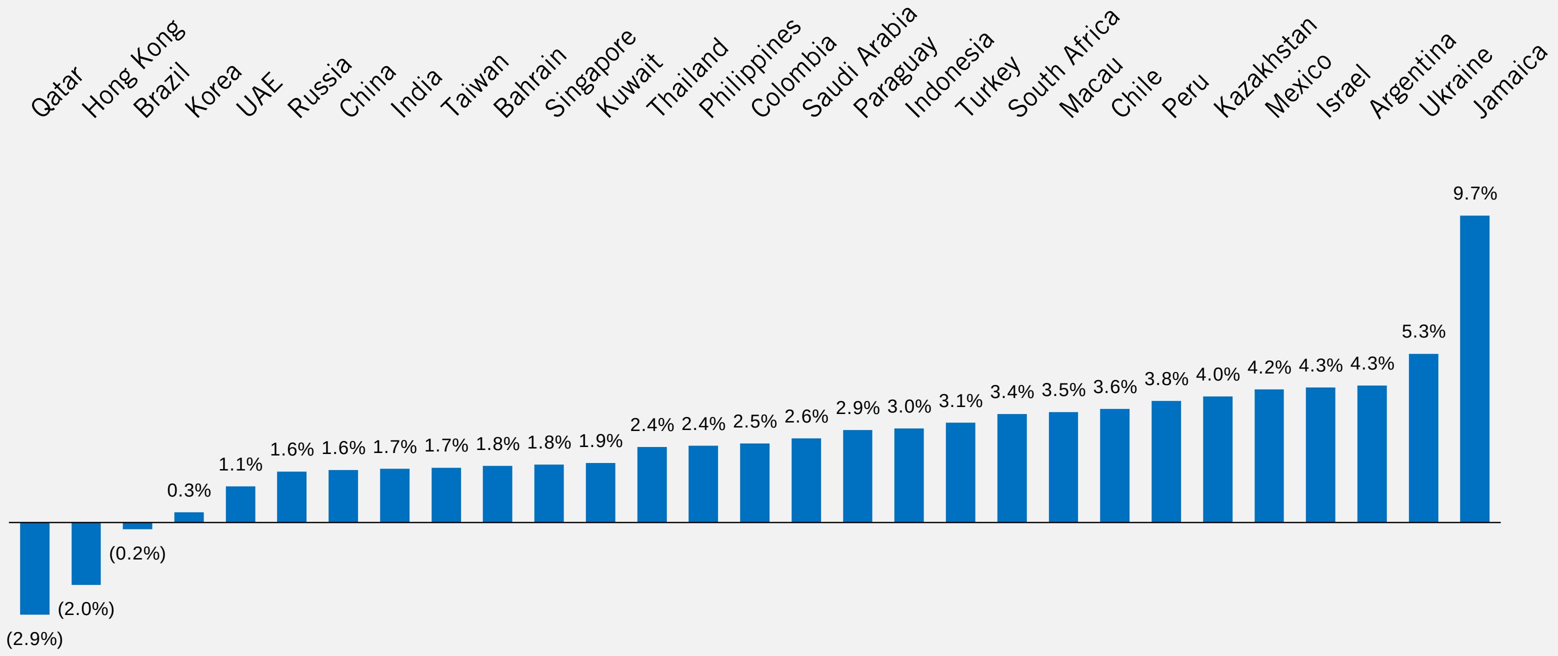
Ukraine

- As at August 2020, Ukraine's FX reserves stood at US$27.4 billion vs. US$27.1 billion in the previous month
- The National Bank of Ukraine (NBU) estimated the drop in the county's GDP in the 1Q20 was 1.3% and 11% in 2Q20 and in general decline for 1H20 was 6.5%. The NBU expects a slowdown in the decline in the 3Q20 to 7.4%, in the 4Q20 to 3.8%, in general forecasting a decline in GDP by the end of 2020 of 6%, while expecting a growth of 4% in 2021
- The European Bank for Reconstruction and Development (EBRD) has revised downwards its May outlook for a decline in Ukraine's economy in 2020 from 4.5% to 5.5%. The EBRD also predicts that the Ukrainian economy will see a 35 growth as early as in 2021, instead of 5% rise projected for the next year in May 2020
- On August 1, 2020, the Ukrainian government quietly ended the PSO (Public Service Obligation) system in the gas market and launched a market for household consumers. Under the PSO system, prices for households and regional heating companies were set by the government and Naftogaz obligated to supply gas to regional gas delivering company (intermediaries) whether they paid for the supplied gas or not, while not being allowed to sell gas directly to end users. Majority of intermediary companies (~75%) owned by Mr. Dmitry Firtash). The Cabinet of Ministers designed Naftogaz as the supplier of last resort on the Ukrainian gas market for a period of three years and limited the sale price of gas by the 'supplier of last resort' to the arithmetic mean of the price at the German gas hub NCG. The National Commission for State Regulation of Energy and Utilities (Energy Commission) simplified the procedure for changing the gas supplier for the population from July 1, 2020. In September 2020, gas suppliers offered households to buy gas for October 2020 at a price of UAH 4.7 – 6.8/m³ (UAH 4,700 – 6,800/1,000 m³), an increase of 7% m/m
- There has been significant outflows from Ukraine's Ministry of Finance UAH-denominated government domestic local bonds (OVDP) market, which was only connected to the international settlements and payment system, Clearstream, in April 2019. Ukraine's inclusion into the clearing system resulted in ~US$5 billion of new money entered into the market; however, since February 2020, sell-off began

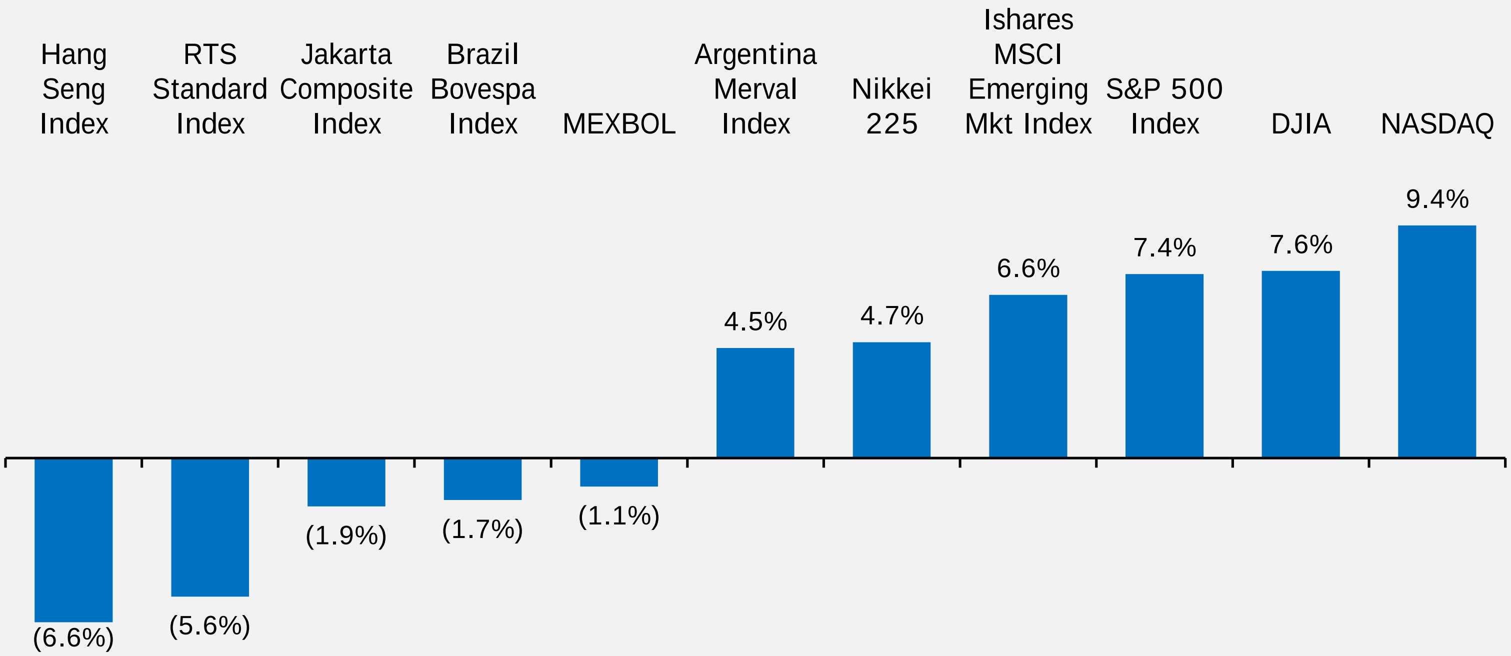
OVERVIEW
EMBI INDEX RETURNS 3Q20
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS BY COUNTRY 3Q20



OVERVIEW
GLOBAL EQUITY INDEX RETURNS 3Q20



3Q20 TOP PICKS
PORTFOLIO REVIEW

	Company	Industry	Country	Currency	From	Until	Days	Px at Recomm.	Px End	CPN	Price Appreciation	Total Return	Excess return
OUTPERFORM											Average Return =	(0.16%)	(2.30%)
CSNABZ 28	CSN ISLANDS XI CORP	Iron/Steel	Brazil	USD	07/20/20	10/01/20	73	89.5	97.3	6.75%	8.7%	10.0%	7.9%
PAMPAR 27	PAMPA ENERGIA SA	Electric	Argentina	USD	07/20/20	10/01/20	73	86.0	76.5	7.50%	(11.0%)	(9.5%)	(11.7%)
LILAK 24	LIBERTY LATIN AMERICA	Media	Caribbean	USD	07/20/20	10/01/20	73	82.8	82.3	2.00%	(0.6%)	(0.2%)	(2.4%)
CARINC22	CAR INC	Commercial Services	China	USD	07/20/20	10/01/20	73	81.9	84.4	8.88%	3.0%	4.8%	2.6%
KAISAG 22	KAISA GROUP HOLDINGS LTD	Real Estate	China	USD	07/20/20	10/01/20	73	99.9	98.3	8.50%	(1.6%)	0.1%	(2.1%)
KUOBMM 27	GRUPO KUO SAB DE CV	Food	Mexico	USD	07/20/20	10/01/20	73	92.0	98.0	5.75%	6.5%	7.7%	5.5%
ALPHSA 25	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	07/20/20	10/01/20	73	82.0	76.0	9.00%	(7.3%)	(5.5%)	(7.6%)
NEUQUE 28	PROVINCE OF NEUQUEN	Regional(state/provnc)	Argentina	USD	07/20/20	10/01/20	73	80.5	70.0	8.63%	(13.0%)	(11.3%)	(13.5%)
AJECBV 22	AJECORP BV	Beverages	Peru	USD	07/20/20	10/01/20	73	98.9	98.6	6.50%	(0.3%)	1.1%	(1.1%)
DARALA 22	DAR AL-ARKAN SUKUK CO LT	Real Estate	Saudi Arabia	USD	07/20/20	10/01/20	73	98.4	100.5	6.88%	2.1%	3.5%	1.3%
TSKBTI 25	TURKIYE SINAI KALKINMA B	Banks	Saudi Arabia	USD	07/20/20	08/05/20	16	96.1	93.5	6.00%	(2.7%)	(2.4%)	(4.4%)
											Total Average Return =	(0.16%)	(2.30%)

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	07/20/20	10/01/20	73	462.0	472.0	2.2%

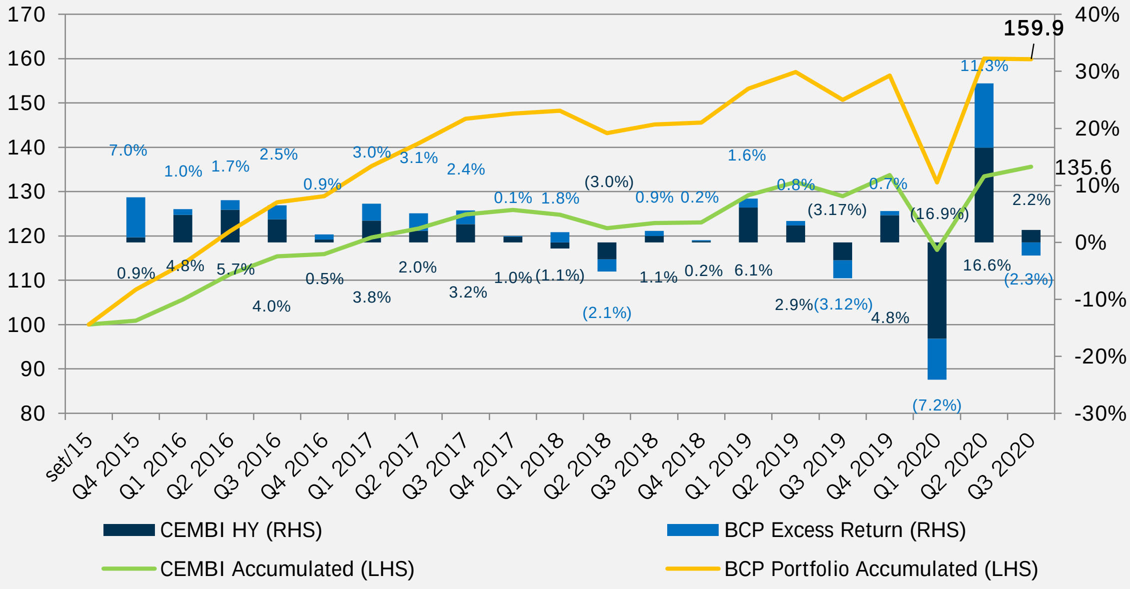
Source: Bloomberg as of 01/10/2020

3Q20 TOP PICKS PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated negative excess return of 230bps vs. our CEMBI HY benchmark. Outperforms returned negative 16bps on average vs. 220 bps for the index.
- Our top performers were CSNABZ 28s and KUOBMM 27s, with excess return of 7.9% and 5.5% respectively.
- NEUQUE 28s was the biggest disappointment, generating negative excess performance of 13.5%
- Over the past 20 quarters, BCP Top Picks have generated compounded excess return of 24.30% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH OCTOBER 1st 2020



4Q20 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform										
PAMPAR 27	PAMPA ENERGIA SA	Electric	Argentina	USD	$644	Caa3/ CCC+/ CCC	7.50%	01/24/2027	13.08%	76.50
LILAK 24	LIBERTY LATIN AMERICA	Media	Caribbean	USD	$403	-/ -/ -	2.00%	07/15/2024	7.14%	83.25
KAISAG 22	KAISA GROUP HOLDINGS LTD	Real Estate	China	USD	$1,147	-/ -/ B	8.50%	06/30/2022	9.59%	98.27
JBSSBZ 28	JBS USA LUX/JBS USA FIN	Food	Brazil	USD	$900	Ba2/ BB/ -	6.75%	02/15/2028	5.27%	108.93
METINV 25	METINVEST BV	Iron/Steel	Ukraine	EUR	$300	-/ B/ BB-	5.63%	06/17/2025	7.25%	93.63
TCZIRA 22	TC ZIRAAT BANKASI AS	Banks	Turkey	USD	$600	B2/ -/ B+	5.13%	05/03/2022	6.65%	97.75
UNICMR 24	GRUPO UNICOMER CO LTD	Retail	El Salvador	USD	$350	-/ BB-/ BB-	7.88%	04/01/2024	8.72%	97.50
DOCUFO 24	DOCUFORMAS SA	Diversified Finan Serv	Mexico	USD	$300	-/ B/ B+	10.25%	07/24/2024	20.38%	74.00
Underperform										
MHPSA 24	MHP SE	Agriculture	Ukraine	USD	$500	-/ B/ B+	7.75%	05/10/2024	6.25%	104.75
CREAL 26	CREDITO REAL SAB DE CV	Diversified Finan Serv	Mexico	USD	$400	-/ BB/ BB+	9.50%	02/07/2026	10.24%	97.00

Source: Bloomberg as of 10/02/2020

MARKET OUTPERFORM

ARGENTINA
PAMPAR 7.50% 27s

BRAZIL
JBSSBZ 6.75% 28s

CARIBBEAN
LILAK 2.00% 24s

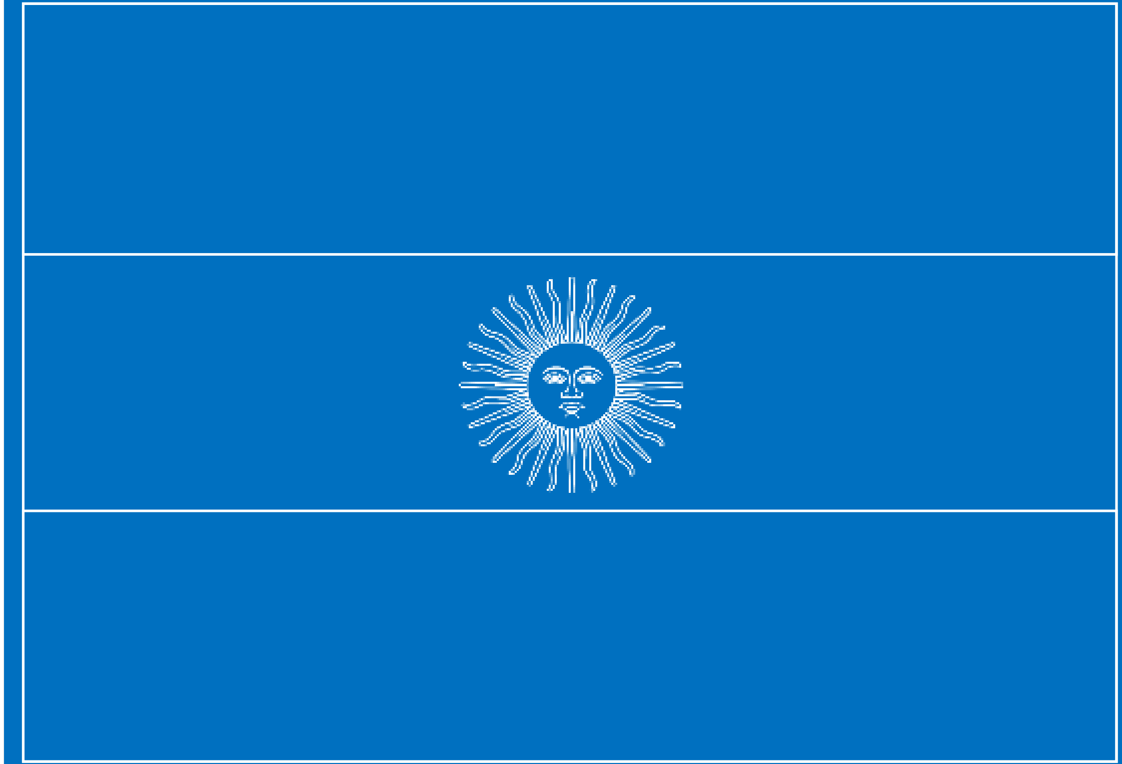
CHINA
KAISAG 8.50% 22s

EL SALVADOR
UNICMR 7.88% 24s

MEXICO
DOCUFO 10.25% 24s

UKRAINE
METINV 5.63% 25s

TURKEY
TCZIRA 5.13% 22s



ARGENTINA

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	76.50	13.08%

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 50kboepd. 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, and with 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 61% of its cash held offshore in 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
- Under our stressed test scenario, we estimate net leverage to remain controlled at 3.1x

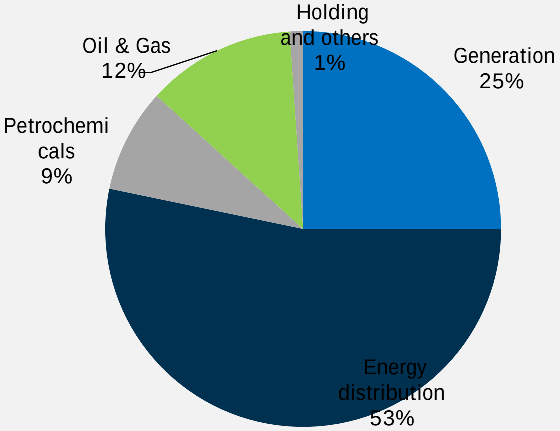
CONS:

- 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 months
- 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
- Strong pressure from national government to restrict f/x access, which may result in the company using its offshore cash position to service its debt. Insufficient to fully cover the 23s maturity

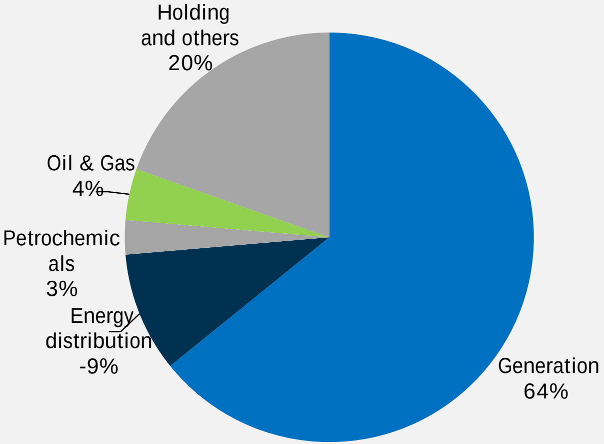
MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

CONSOLIDATED REVENUE BY SEGMENT (1Q20)



CONSOLIDATED EBITDA BY SEGMENT (1Q20)



Source: Pampa 2Q20 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):

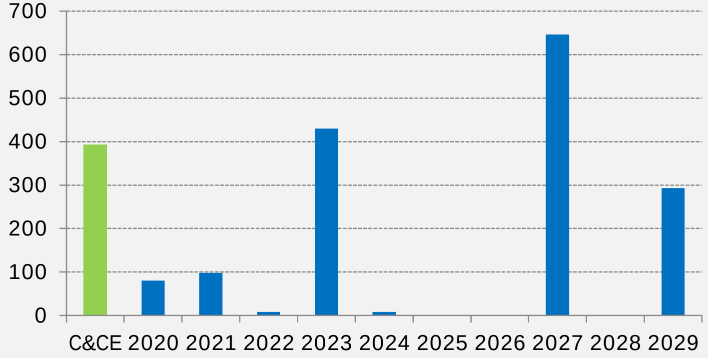
PAMPAR 7.50% 27s

STRONG CASH POSITION

- Cash position at June 30, 2020 ended at US$393mm at the restricted group, compared to a debt of US$80mm in 2H20 and US$98mm in 2021
- Cash position appears enough to cover debt service through 2023
- Nearly 61% of these cash position is held in offshore accounts in USD
- However, should f/x access restrictions continue through 2023, cash position would not be enough to fully cover the first bond maturity in 2023

AMORTIZATION SCHEDULE 06.30.2020 AT RESTRICTED GROUP

US$MM



Source: Pampa Energia 2Q20 earnings release

MARKET OUTPERFORM (ARGENTINA):

PAMPAR 7.50% 27s

STRESS CASE

- We assume 50% inflation on COGS and depreciation for next twelve months (hence we maintain USD COGS unchanged from 2Q)
- We assume a 50% passthrough of inflation into all regulated revenue (hence we decrease USD revenue by 25%)
- 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 20%
- We add US$68mm for Genelba's EBITDA (75% of EBITDA at current pricing scheme)
- We assume gas prices remain depressed at US$2.0/MMBTU, with the average production of 1Q and 2Q
- We assume petrochemical prices at the average of 1Q and 2Q
- We estimate the lower EBITDA from the lack of pass through to be significantly offset by the EBITDA from Genelba
- As a result, we estimate that under a stressed scenario, net leverage would remain at 3.1x
- 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 – Excldluing Edenor (non recourse)	2Q20	Stressed
Quarterly Revenue	210	184
Generation	115	90
Petrochemicals	39	56
Oil and gas	56	59
Quarterly EBITDA ex Genelba	105	80
Generation ex Genelba	95	70
Petrochemicals	4	1
Oil and gas	6	9
Genelba	0	17
Annualized EBITDA	420	387
Recourse net debt at Jun30, 2020	1,198	1,198
Net leverage under stressed scenario	2.9x	3.1x
Annual Capex		110
Annual interest expense		160
FCF for WK, taxes and dividends		94

BRAZIL

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 6.75% 28s

JBS is the largest protein producer in Brazil and a globally competitive meat packing giant. The company was founded in the 1950s, and it has grown mainly through acquisitions since then, owned by the Batista family through J&F holding. The company has repeatedly posted strong set of results for the past couple of years on significant cash generation, deleveraging and EBITDA expansion. Amid COVID19 crisis, sector has shown that strong pricing particularly in the US was more than enough to offset temporary plant closures given record US beef spreads, while ASF (Asian Swine Flu) supply gap stood as an additional tailwind for the company. Highlighting its strong balance sheet position, we see JBS as dominant player in a defensive sector with ample cash on hand facing strong tailwinds. Given the strong rally, we see JBS bonds as a defensive holding in a market with few pockets of value.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
JBSSBZ 6.75% 02/15/28	900	Ba3/BB/-	108.93	5.27%

Pros

- Solid FCF, US$2.9bn LTM
- Deleveraged structure (1.9x net leverage LTM) with recent liability management on bonds extending maturities
- ASF supply gap significant tailwind for results for the medium-term
- Local BRL devaluation supports domestic segment
- Record Beef US spreads, very strong pricing offsetting temporary plant closures amid COVID19
- Ample cash on hand
- Geographical and product diversification
    - Present in over 15 countries
- Defensive sector (essential goods) amid pandemic crisis
- US listing expected for next year can unlock additional value for the corporation

Cons

- Governance issues related to corruption scandal in Brazil where J&F (JBS) plead guilty to bribery schemes
- Price fixing lawsuits at PPC – an alleged industry practice accusers say began in the same timeframe JBS acquired Pilgrims Pride
- DoJ investigations (at the very least FCPA) appear fertile ground to generate uncertainty
- Plant closures amid COVID19 can affect volumes going forward
- Weaker chicken spreads and US Beef spreads going back to a more normalized level given gradual decrease of panic buying motivated by pandemic spread
- Additional non-recurring expenses related to COVID19 crisis

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 6.75% 28s

2Q20 Results – Very Strong:

- 2Q20 revenue decreased 3% y/y and 1% q/q, in USD terms to US$12.6bn, 2% above consensus
- On the international segment, JBS USA Beef revenue decreased 1% y/y as increase in avg. prices (+20% y/y) was offset by 8% y/y lower volumes given temporary halts in plants and security protocols amid COVID19 crisis
- 2Q20 EBITDA increased 50% y/y and 1.2x q/q in USD terms, beating consensus by 52%, at US$1.9bn on record beef margins
  - JBS USA Beef EBITDA increased 1.3x y/y and 3.7x q/q to US$1.1bn at record 20.4% margins
    - 56% of total EBITDA
    - We note supply interruption with plants closures throughout the sector and resilient food/beef demand with customer stocking amid pandemic crisis were major tailwinds for record beef spread levels
- In Brazil, JBS Brazil posted strong results with EBITDA increasing 1.4x y/y and 1.6x q/q, in USD terms, pushed by its exports division on ASF continued tailwinds and record beef spreads
- Solid FCF generation at US$1.5bn
- Gross debt totaled US$15.1bn down 2% q/q, including capitalized financial leases, as per IFRS 16
- Cash increased 47% sequentially reaching US$4.2bn following cash generation
- Net debt decreased 8% q/q to US$11.0bn
- Net leverage in annualized terms improved to 1.4x from 3.4x in 1Q20
- As we have already observed in previous 2Q results in the sector, higher prices and stronger USD beef spreads are managing to offset temporary plant closures amid crisis, supporting stronger results

JBS (US$MM)	2Q20	BBG consensus	+/-	1Q20	2Q19	q/q	y/y
Revenue	12,549	12,338	2%	12,629	12,970	(1%)	(3%)
EBITDA	1,949	1,284	52%	875	1,301	123%	50%
EBITDA margin	15.5%	10.4%		6.9%	10.0%		

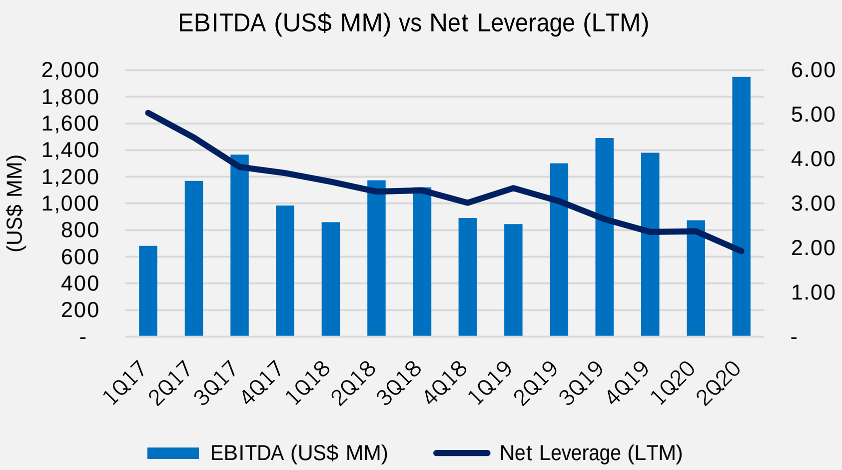
JBS (US$MM)	2Q20	1Q20	2Q19	q/q	y/y
Total Debt	15,136	15,518	14,310	(2%)	6%
Cash	4,147	3,547	1,634	17%	154%
Net Debt	10,988	11,970	12,675	(8%)	(13%)
Gross leverage (Total Debt/LQA EBITDA)	1.9	4.4	2.8		
Net leverage (Net Debt/LQA EBITDA)	1.4	3.4	2.4		

JBS (US$MM)	2Q20	1Q20	2Q19	q/q	y/y
EBITDA	1,949	875	1,301	123%	50%
Capex	(462)	(198)	(256)	133%	80%
Interest paid	(136)	(197)	(216)	(31%)	(37%)
Taxes paid	(107)	(65)	(252)	64%	(58%)
FCF before WK	**1,245**	**414**	**577**	**200%**	**116%**
Working capital	261	(656)	255	(140%)	2%
FCF	**1,505**	**(242)**	**832**	**(722%)**	**81%**

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 6.75% 28s

- LTM net leverage followed a downward trend from 5.0x in 1Q17 to 1.9x in 2Q20
- FCF generation reached a LTM record of US$2.9bn in 2Q20
- Cash position at US$4.2bn (+ US$1.6bn revolving credit facility available at JBS USA), 3.7x short term debt ex-revolving credit facility available
    - Company states enough cash in hand to pay all debt up to 2025
    - 94% of cash in hard currency (USD)



CARIBBEAN

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

Liberty Latin America (LILAK) is a Caribbean and Latin American-based telecommunications provider, which offers residential and B2B services (broadband, mobile, telephony and video), enhanced by triple/quad-play bundling, and connection to 40+ markets in the Americas through its 50,000 km subsea/terrestrial fiber optic cable network. The company operates in 30 markets through subsidiaries Cable & Wireless (C&W), VTR, Cabletica and Liberty Puerto Rico (LPR). LILAK competes primarily with Digicel across mature two-player markets. As with Digicel, LILAK relies on opco cash to support HoldCo debt. However, LILAK adequately supports this structure with US$3 bn in total available liquidity (US$1.8 bn cash) v. 4.9x net leverage (LTM 2Q20). Continued cost management, alongside stable adj. OIBDA margins (39%), should help to mitigate anticipated 3Q20 cash burn. Meanwhile, AT&T Puerto Rico/USVI and Telefonica Costa Rica (TCR) acquisitions are expected to add ~US$380 mm in annual adj. OIBDA, implying US$1.9 bn in pro-forma adj. OIBDA, based on normalized (FY19) levels. Post-financing and M&A transactions, we estimate pro-forma total available liquidity will be US$2.6 bn v. pro-forma consolidated LTM net leverage of 4.1x. With flexibility to upstream cash from opco to HoldCo, and 85%+ of debt (excl. lease liabilities) amortizing 2026 or beyond, we anticipate LILAK has the means to comfortably address LILAK 24s' maturity, even in a delayed recovery scenario. Nevertheless, in our view, fundamental strength is not reflected LILAK 24s current price, nor dislocation from opco (CWCN, VTRCOM, VTRFIN) bonds. Thus, we maintain our 'Market Outperform' rating on LILAK 2% 24s, trading at an attractive 7%+ YTM, 8% cheap to the model, and below the bond floor at 83c, implying free equity upside on the convertible 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	83.25	7.14%	Sr Unsecured
C&W SENIOR FINANCING DAC	CWCLN	7.50%	10/15/2026	B2/ B+/ B+	500	104.87	6.51%	Sr Unsecured
SABLE INTL FINANCE LTD	CWCLN	5.75%	9/7/2027	Ba3/ BB-/ BB-	550	105.28	4.84%	Secured
C&W SENIOR FINANCING DAC	CWCLN	6.875%	9/15/2027	B2/ B+/ B+	1,220	104.20	6.12%	Sr Unsecured
VTR COMUNICACIONES SPA	VTRCOM	5.125%	1/15/2028	Ba3/ B+/ BB+	600	104.33	4.42%	Sr. Secured
VTR FINANCE N.V.	VTRFIN	6.375%	7/15/2028	B1/ B/ BB-	550	105.22	5.53%	Secured
LCPR SR SECURED FIN DAC	LILAPR	6.75%	10/15/2027	B1/ (P)B+/ BB-	1,200	104.64	5.93%	1st Lien

Pros:

- Recent acquisitions establish LILAK as a leading mobile provider in AT&T PR/USVI and TCR, with ability to enhance B2B and triple/quad-play offerings by combining new and pre-existing businesses
- Anticipated ~US$380 mm in adj. OIBDA from AT&T PR/BVI and TCR acquisitions, implying pro-forma adj. OIBDA of US$1,940 mm at normalized (FY19) levels
- Robust pro-forma total available liquidity of US$2.6 bn (US$1.4 bn cash, US$516 mm trade receivables, US$661 mm unused borrowing capacity)
- Pro-forma LTM net leverage of 4.1x (2.0x secured) near management's targeted 4x
- 85%+ of debt (excl. lease liabilities) maturing after '26 with ability to upstream cash to HoldCo
- Strong shareholder support (incl. John Malone, Searchlight Capital Partners)
- Recent US$350 mm Class C rights offering non-dilutive to LILAK '24s
- 3-year Partnership with Ericsson, deploying cloud-based mobile core network in Caribbean and Latin America, beginning 2H20

Cons:

- Near-term weakness as a result of COVID-19 and f/x volatility
- Declining ARPU (-10% y/y, -3% q/q) on subscriber reductions and f/x weakness, primarily in Chile
- Reduction in mobile subscribers (-10% y/y, 9% q/q) from exclusion of non-paying customers, who remain connected, from subscriber base
- Anticipated consolidated 3Q20 cash burn, driven by interest payments
- Highly competitive and historically capex-intensive environment in LILAK's core Caribbean markets (subs. C&W)
- Rumors of potential 3rd party entrant in Jamaica, a key operating market, in next 6 months

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

2Q20 Consolidated Results - Liberty Latin America:

- **Mobile subscribers:** 3.31 mm (-10% y/y, -9% q/q), resulting from exclusion of non-paying customers, who remain connected, from subscriber base
- **Mobile ARPU:** US$11.49 (-19% y/y, -14% q/q), following subscriber reductions and f/x volatility
    - C&W: US$11.13 (-19% y/y, -15% q/q),
    - VTR: US$15.22 (-22% y/y, -5% q/q), continued f/x weakness in Chile
- **Revenue:** US$849 mm (-14% y/y, -9% q/q), reflecting COVID-19's impact f/x and subscriber base
    - Revenue split between C&W (61%), VTR/Cabletica (27%) and Liberty Puerto Rico (13%)
- **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% (-23 bps y/y, +9 bps q/q)
- **Free cash flow:** US$159 mm on lower capex, tax and interest payments and WK inflow
    - Interest Paid: US$104 mm (-28% q/q), in line with the lower end of company's interest payment cycle
    - Taxes Paid: US$2 mm (-88% q/q)
    - Working Capital: US$54 mm v. WK use in the prior quarter of -US$77 mm
    - Capex: US$122 mm (-18% q/q) at 14% capex-to-revenue

LILAK (US$MM)	2Q20	1Q20	4Q19	3Q19	2Q19	y/y	q/q	2019	2018	y/y
Homes passed (mm)	**7.62**	**7.58**	**7.52**	**7.45**	**7.34**	**4%**	**1%**	**7.52**	**7.16**	**5%**
Revenue generating units (RGUs, mm)	**6.15**	**6.10**	**6.05**	**5.99**	**5.93**	**4%**	**1%**	**6.05**	**5.70**	**6%**
Broadband internet subscribers	2.70	2.66	2.61	2.57	2.53	7%	2%	2.61	2.40	9%
Video subscribers	1.97	1.99	1.98	1.98	1.96	1%	(1%)	1.98	1.91	4%
Fixed line telephony subscribers	1.48	1.46	1.46	1.45	1.44	3%	1%	1.46	1.39	5%
ARPU (USD):	**46.15**	**47.37**	**48.47**	**50.35**	**51.31**	**(10%)**	**(3%)**	**49.37**	**51.27**	**(4%)**
C&W	46.92	47.62	46.79	47.18	47.52	(1%)	(1%)	46.99	45.62	3%
VTR/Cabletica	38.34	40.74	43.04	46.12	47.62	(19%)	(6%)	46.30	52.16	(11%)
Liberty Puerto Rico	77.69	75.69	76.43	76.87	77.05	1%	3%	76.79	73.27	5%
Mobile subscribers (mm)	**3.31**	**3.62**	**3.66**	**3.68**	**3.67**	**(10%)**	**(9%)**	**3.66**	**3.50**	**4%**
Mobile ARPU (USD):	**11.49**	**13.32**	**14.20**	**14.52**	**14.20**	**(19%)**	**(14%)**	**14.25**	**15.32**	**(7%)**
C&W	11.13	13.07	13.95	13.87	13.77	(19%)	(15%)	13.79	14.82	(7%)
VTR	15.22	16.07	17.11	18.78	19.50	(22%)	(5%)	18.87	22.36	(16%)
Revenue	**849**	**931**	**975**	**967**	**983**	**(14%)**	**(9%)**	**3,867**	**3,706**	**4%**
Adjusted OIBDA	**333**	**364**	**409**	**380**	**387**	**(14%)**	**(9%)**	**1,541**	**1,487**	**4%**
Adjusted OIBDA margin	*39%*	*39%*	*42%*	*39%*	*39%*	*(23 bps)*	*9 bps*	*40%*	*40%*	*(25 bps)*
Interest paid	(104)	(144)	(74)	(139)	(77)	34%	(28%)	(445)	(418)	6%
Taxes paid	(2)	(13)	(30)	(41)	(38)	(96%)	(88%)	(130)	(146)	(11%)
Working capital	54	(77)	66	(222)	11	379%	-	(164)	(133)	23%
Capex	(122)	(149)	(157)	(137)	(136)	(10%)	(18%)	(589)	(776)	(24%)
Free cash flow	**159**	**(19)**	**214**	**(158)**	**147**	**8%**	**-**	**214**	**13**	**1531%**
Capex to revenue	**14%**	**16%**	**16%**	**14%**	**14%**	**58 bps**	**(163 bps)**	**15%**	**21%**	**(572 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

2Q20 Consolidated Results - Liberty Latin America:

- **Cash (Consolidated):** US$1.8 bn (+10% q/q)
  - LILAK (Standalone): US$539 mm standalone (US$496 mm LILAK, US$43 mm unrestricted subs.), the majority of which we anticipate will be used to cover net costs associated with the AT&T acquisition
  - Subsidiary cash: C&W (US$756 mm), VTR (US$333 mm), LPR (US$102 mm) and Cabletica (US$22 mm)
- **Liquidity:** US$2.3 bn (+5% q/q)
- **Total available liquidity:** US$3.0 bn (+8% q/q)
  - Unused borrowing capacity: US$765 mm split between C&W (US$433 mm), VTR (US$255 mm), LPR (US$63 mm) and Cabletica (US$15 mm)
    - We highlight there are no restrictions on upstreaming available cash from subsidiaries to the HoldCo
- **Gross debt:** US$9.0 bn (-3% q/q)
  - 85% of LILAK's debt (excl. finance and operating lease liabilities) matures after 2026
- **Net debt:** US$7.2 bn (-3% q/q)
  - US$5.1 bn of consolidated debt is secured, at LTM secured net leverage of 2.3x
- **LTM net leverage:** 4.9x, (+0.1x q/q)
- **Liquidity to LTM Revenue:** 61% (+480 bps q/q),

LILAK (US$MM)	2Q20	1Q20	4Q19	3Q19	2Q19	y/y	q/q	2019	2018	y/y
Cash and equivalents	1,752	1,593	1,184	1,004	957	83%	10%	1,184	631	88%
Trade Receivables	516	572	585	629	700	(26%)	(10%)	585	607	(4%)
Liquidity	2,269	2,165	1,769	1,633	1,657	37%	5%	1,769	1,238	43%
Unused Borrowing Capacity	765	650	1,113	1,037	1,056	(28%)	18%	1,113	1,043	7%
Total Available Liquidity	3,034	2,815	2,882	2,670	2,714	12%	8%	2,882	2,282	26%
Loans, bonds and finance lease obligations	8,841	8,830	8,370	7,088	7,033	26%	0%	8,370	6,682	25%
Operating lease liabilities	150	191	187	165	168	(11%)	(22%)	187	177	6%
Gross debt	8,991	9,021	8,557	7,253	7,201	25%	(0%)	8,557	6,859	25%
Net Debt	7,239	7,428	7,374	6,249	6,244	16%	(3%)	7,374	6,228	18%
LTM Revenue	3,721	3,855	3,867	3,841	3,799	(2%)	(3%)	3,867	3,706	4%
LTM Adj. OIBDA	1,485	1,540	1,541	1,561	1,546	(4%)	(4%)	1,541	1,487	4%
LTM Gross leverage	6.1x	5.9x	5.6x	4.6x	4.7x	1.4x	0.2x	2.0x	2.4x	(0.5x)
LTM Net leverage	4.9x	4.8x	4.8x	4.0x	4.0x	0.8x	0.1x	4.8x	4.2x	0.6x
Cash to LTM Revenue	47%	41%	31%	26%	25%	*2,189 bps*	*576 bps*	31%	17%	*1,359 bps*
Liquidity to LTM Revenue	61%	56%	46%	43%	44%	*1,734 bps*	*480 bps*	46%	33%	*1,233 bps*
Total Available Liquidity to LTM Revenue	82%	73%	75%	70%	71%	*1,011 bps*	*852 bps*	75%	62%	*1,296 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

LILAK V. DIGICEL – THROUGH THE LAYERS

LTM 2Q20 (US$MM) (1)	LILAK	C&W	VTR	LPR	DGL	DL	DIFL
	HoldCo (Consolidated)	OpCo	OpCo	OpCo	HoldCo (Consolidated)	OpCo	OpCo
Country	Caribbean/Colombia	Caribbean	Chile/Costa Rica	Puerto Rico	Caribbean	Caribbean	Caribbean
Bond Ticker	LILAK	CWCLN	VTRFIN	LILAPR	DLLTD (DGL0.5)	DLLTD (DL)	DLLTD (DIFL)
Coupon	2.00%	6.875%	6.375%	6.75%	10% (8% cash+ 2% PIK)	6.75%	8.75%
Maturity	7/15/2024	9/15/2027	7/15/2028	10/15/2027	4/1/2024	3/1/2023	5/25/2024
Rating	-/ -/ -	B2/B+/B+	B1/B/BB-	B1/B+/BB-	Caa3/-/CCC-	Caa3/-/CCC-	Caa1/-/CCC+
Amt Out (US$MM)	403	1,220	550	1,290	988	925	1,226
Rank	Sr. Unsecured	Sr. Unsecured	Secured (2)	1st Lien	Secured (3)	Sr Unsecured	1st Lien
Maturity Type	Convertible	Callable (9/15/22)	Callable (7/15/2023)	Callable (10/15/22)	Callable (10/19/20)	Callable (6/29/2020)	Callable (5/25/2021)
Mid Price (10/2/20)	**83.3**	**104.3**	**105.4**	**104.6**	**77.2**	**63.3**	**101.2**
Mid YTM (10/2/2020)	**7.14%**	**6.10%**	**5.51%**	**5.94%**	**18.73%**	**28.93%**	**8.35%**
Revenue	**3,721**	**2,317**	**726**	**423**	**2,238**	**1,759**	**1,759**
Adjusted OIBDA	**1,485**	**891**	**248**	**190**	**968**	**763**	**772**
Adjusted OIBDA margin	*40%*	*40%*	*40%*	*49%*	*43%*	*43%*	*44%*
Interest paid	(460)	(235)	(79)	(100)	(424)	(294)	(154)
Taxes paid	(85)	(47)	(20)	(5)	(114)	(86)	(86)
Working capital	(179)	(87)	(116)	55	(20)	(31)	(37)
Capex	(565)	(325)	(105)	(75)	(315)	(260)	(260)
Free cash flow	**196**	**198**	**(72)**	**66**	**95**	**93**	**235**
Gross Debt (4)	**8,991**	**4,629**	**1,496**	**2,357**	**5,552**	**4,057**	**4,057**
Net Debt	**7,239**	**3,873**	**1,163**	**2,255**	**5,306**	**3,895**	**3,899**
Gross leverage	**5.9x**	**4.8x**	**3.5x**	**12.4x**	**5.7x**	**5.3x**	**5.3x**
Net leverage	**4.8x**	**4.1x**	**3.1x**	**11.9x**	**5.5x**	**5.1x**	**5.1x**
Secured Debt (5)	**5,098**	**2,174**	**1,496**	**1,295**	**3,618**	**2,548**	**2,548**
Secured Net Leverage	**2.3x**	**1.6x**	**4.7x**	**6.3x**	**3.5x**	**3.1x**	**3.1x**
Cash and Equivalents	**1,752**	**756**	**333**	**102**	**246**	**162**	**158**
Trade and accounts receivable	516	405	73	19	420	404	397
Unused borrowing capacity	765	433	255	63	-	-	-
Total Available Liquidity (6)	**3,034**	**1,595**	**661**	**184**	**666**	**566**	**555**
Capex to Revenue	**15%**	**14%**	**15%**	**18%**	**14%**	**15%**	**15%**
Total Available Liquidity to LTM Revenue	**82%**	**69%**	**91%**	**44%**	**30%**	**32%**	**32%**

(1) LTM 2Q20 corresponds with Digicel 1Q21 (end-June '20). Digicel reports adj. EBITDA

(2) Telefónica Costa Rica and Cabletica (80% owned subs.) will be added to VTRFIN 28's (VTR Finance N.V.) credit pool post acquisition, expected to be completed in 1Q21

(3) Secured by all capital stock of DPL and DL, DGL0.5's receivable under Digicel (CA) Limited and all capital stock of Digicel (PNG) Ltd

(4) Includes operating and finance lease obligations, and excludes premiums, discounts, and deferred financing costs

(5) Secured debt before premiums, discounts and deferred financing costs, net

(6) LILAK total available liquidity excludes cash held in escrow at Liberty Puerto Rico (LILAPR) of US$1.29 bn. LILAK permitted to upflow of cash from subsidiaries to HoldCo to service debt.

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

RECENT TRANSACTIONS

US$350 mm Rights Offering for Class C Common Shares:

- Participation capped at 49 mm shares, with 0.2690 of Class C Right distributed for each Liberty Latin America common share held as of the Rights Record Date
- Fully subscribed with 13 mm in rights issued, entitling rights holders to purchase one Class C common share at US$7.14
  - Participating shareholders includes John Malone, Searchlight Capital Partners, BoDs and executive management
- Trading under tickers LILRV (Nasdaq Global Select Market) and LILAR (Nasdaq Global Street Market)
- Non-dilutive to LILAK 24 convertible bonds, reflected in the adjustment of LILAK 24s' conversion price to US$20.65 (v. US$22.23) at conversion rate of 48.4315 per $1,000
- Estimated Use of Proceeds:
  - US$200 mm to fund portion of Telefonica Costa Rica (TCR) Acquisition
  - US$150 mm net cash to LILAK standalone

Telefonica Costa Rica (TCR) Acquisition:

- Acquisition Price: US$500 mm (cash and debt free basis), expected to close 1H21
- Acquisition Multiple: 6.0x
- Adj. EBITDA (FY19): US$ 80 mm, including annual run-rate synergies
- Management Leverage Target: 4.0x FY19 adj. EBITDA, or ~US$320 mm in debt
- BCP Estimated Funding Sources:
  - US$200 mm of US$350 mm in proceeds from Class C rights offering
  - US$200 mm from USD denominated VTR RCF-B (Total available US$200 mm)
  - US$100 mm from CLP denominated VTR RCF-A, estimated amount available, reflecting upsizing as part of recent refinancing transaction acquisition
- Establishes LILAK as 2nd largest mobile service provider in Costa Rica (2.3 mm subscribers, 90% LTE population), following state-owned Kolbi
- Opportunity for triple/quad-play offerings with combination of TCR mobile and pre-existing (Cabletica) television, broadband internet and fixed-line telephony

AT&T Puerto Rico/USVI Acquisition:

- Acquisition Price: US$1.95 bn (cash and debt free basis), expected to close 2H20
- Acquisition Multiple: 6.5x
- Adj. EBITDA (FY19): US$ 300 mm
- Net Leverage Guidance: 4.25x combined (LPR + AT&T PR/USVI), as guided by management, based on LPR and AT&T PR/USVI pro-forma 2Q19 total net debt divided by 6M19 annualized OCF, excluding synergies
- BCP Estimated Funding Sources:
  - US$1,290 mm of proceeds held in escrow from LILAPR 6.75% '27s issuance
  - US$535 mm LILAK (LILAK + unrestricted subs.) standalone cash
  - US$125 mm drawdown of unused borrowing capacity from USD-denominated 2019 LPR RCF (Total available US$125 mm)
- Establishes LILAK as leading post-paid mobile network in PR/USVI, adds predominantly subscription-based business, and increases B2B presence and USD revenue weighting at LILAK
- Opportunity for bundled offerings, with combination of AT&T mobile and pre-existing (LPR) high-speed broadband internet and TV business

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

PRO-FORMA - THROUGH THE LAYERS

FY Pro-Forma (US$MM)	LILAK (Consolidated)	LILAK (Standalone) (2)	Cable & Wireless	VTR/Cabletica	VTR (Standalone)	Cabletica (Standalone)	Liberty Puerto Rico
Ownership (%) (1)			*100%*		*100%*	*80%*	*100%*
Operating Region/Country	*Caribbean/LatAm*		*Caribbean/Panama*	*Chile/Costa Rica*	*Chile*	*Costa Rica*	*Puerto Rico*
Bond Ticker	**LILAK**	**" "**	**CWCLN**	**n/a**	**VTRFIN**	**n/a**	**LILAPR**
Coupon	**2.00%**	**" "**	**6.875%**	**" "**	**6.375%**	**" "**	**6.75%**
Maturity	**7/15/2024**	**" "**	**9/15/2027**	**" "**	**7/15/2028**	**" "**	**10/15/2027**
Rating	-/ -/ -	" "	B2/B+/B+	" "	B1/B/BB-	" "	B1/B+/BB-
Amount Out (US$MM)	403	" "	1,220	" "	550	" "	1,290
Rank	Sr. Unsecured	" "	Sr. Unsecured	" "	Secured (3)	" "	1st Lien
Maturity Type	Convertible	" "	Callable (9/15/22)	" "	Callable (7/15/2023)	" "	Callable (10/15/22)
Mid Price (10/2/2020)	**83.3**	**" "**	**104.3**	**" "**	**105.4**	**" "**	**104.6**
Mid YTM (10/2/2020)	**7.14%**	**" "**	**6.10%**	**" "**	**5.51%**	**" "**	**5.94%**
Revenue	**4,732**	**-**	**2,408**	**1,258**	**654**	**605**	**1,065**
Adjusted OIBDA (2)	**1,920**	**-**	**915**	**515**	**255**	**260**	**490**
Adjusted OIBDA margin	*41%*	*-*	*38%*	*41%*	*39%*	*43%*	*46%*
Capex	(710)	-	(337)	(181)	(105)	(76)	(192)
Capex-to-Revenue	**15%**	**-**	**14%**	**14%**	**16%**	**13%**	**18%**
Cash and equivalents	**1,411**	**154**	**543**	**675**	**333**	**342**	**39**
Trade Receivables	516	-	405	92	73	18	19
Unused Borrowing Capacity	661	-	646	15	-	15	-
Total Available Liquidity	**2,588**	**154**	**1,595**	**782**	**406**	**375**	**58**
Loans, bonds and finance lease obligations	9,173	405	4,242	2,111	1,670	441	2,415
Operating lease liabilities	150	-	114	31	24	8	5
Vendor Financing	176	-	90	68	34	34	18
Premiums, discounts, deferred financing costs, net	(142)	(68)	(30)	(21)	(17)	(3)	(23)
Gross Debt (3)	**9,356**	**337**	**4,415**	**2,190**	**1,711**	**480**	**2,414**
Net Debt	**7,945**	**183**	**3,872**	**1,515**	**1,378**	**138**	**2,375**
Gross Leverage	**4.9x**	**n/a**	**4.8x**	**4.3x**	**6.7x**	**1.8x**	**4.9x**
Net Leverage	**4.1x**	**n/a**	**4.2x**	**2.9x**	**5.4x**	**0.5x**	**4.8x**
Secured Debt	5,169	2	2,264	1,591	1,428	163	1,312
Secured Net Leverage	**2.0x**	**n/a**	**1.9x**	**1.8x**	**4.3x**	**(0.7x)**	**2.6x**
Cash-to-LTM Revenue	**30%**	**n/a**	**23%**	**54%**	**51%**	**57%**	**4%**
Total Available Liquidity to LTM Revenue	**55%**	**n/a**	**66%**	**62%**	**62%**	**62%**	**5%**

(1) LILAK controls non-wholly owned subsidiaries under wholly-owned subsidiary C&W, including Cabletica (80.0% through 80.0% ownership of its parent company, LBT CT), C&W Panama (49.0%), C&W Bahamas (49.0%) and C&W Jamaica (92.3%). Consolidated reportable segments represent 100% of revenue and adj. OIBDA.

(2) Pro-forma LTM adj. OIBDA represents "normalized" FY19 LILAK consolidated adj. OIBDA of US$1,540 mm, plus an estimated US$380 mm adj. OIBDA following integration of TCR and AT&T PR/FWI operations

(3) US$90 mm additional principal added to LPR sr. secured notes on May '20. Total net proceeds used towards funding of AT&T PR/USVI acquisition. Pro-Forma results anticipate upsizing of VTR RCF-A to US$100 mm, drawdown of US$200 mm VTR RCF-B and utilization of US$200 mm of US$350 mm rights offering to fund TCR acquisition, and additional debt incurrence Costa Rica (TCR and Cabletica) operations, totaling ~US$320 mm (4x TCR's FY19 EBITDA of ~US$80 mm)

(4) Secured debt before premiums, discounts and deferred financing costs, net

MARKET OUTPERFORM (CARIBBEAN):

LILAK 2% 24s

PRO-FORMA DEBT

(1) LILAK controls non-wholly owned subsidiaries under wholly-owned subsidiary C&W, including Cabletica (80.0% through 80.0% ownership of its parent company, LBT CT), C&W Panama (49.0%), C&W Bahamas (49.0%) and C&W Jamaica (92.3%). Consolidated reportable segments represent 100% of revenue and adj. OIBDA.

(2) Maturity extended to January 30th 2026 on US$575 mm of US$625 mm C&W RCF

(2) Anticipates upsizing of VTR RCF-A to US$100 mm, drawdown of US$200 mm VTR RCF-B and utilization of US$200 mm of US$350 mm rights offering to fund the TCR acquisition.

(3) US$90 mm additional principal added May '20. Total net proceeds deposited into escrow as restricted cash with LCPR required to redeem a portion of LPR Senior Secured Notes at 102.5% should AT&T acquisition not be consummated before the Long-Stop-Date (April 9th 2021).

(4) Telefónica Costa Rica and Cabletica (80% owned subs.) will be added to VTRFIN 28's (VTR Finance N.V.) credit pool post acquisition, expected to be completed in 1Q21. Additional debt incurrence planned at the TCR operations, totaling ~US$320 mm (4x TCR FY19 adj .OIBDA of ~US$80 mm).

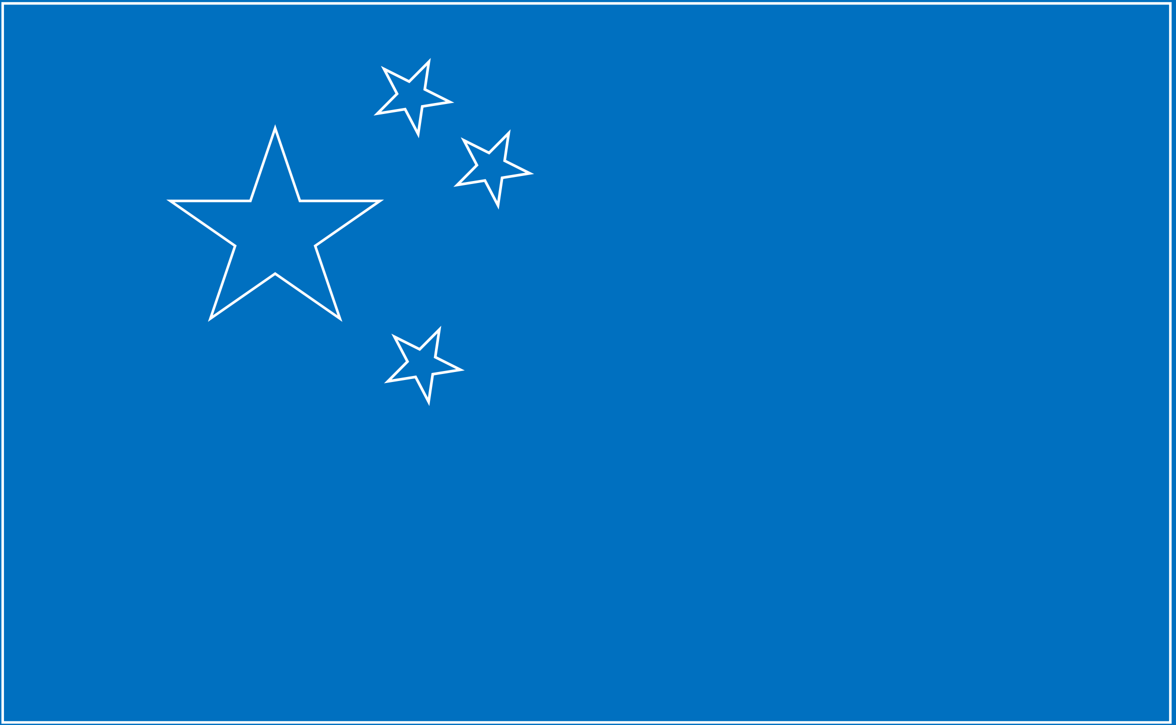
(5) Consolidated pro-forma cash reflects balance post-acquisition, including net proceeds of US$350 mm rights offering. Consolidated pro-forma unused borrowing capacity of US$661 mm includes C&W (US$ mm) and Cabletica (US$15 mm)

(6) Pro-forma LTM adj. OIBDA represents "normalized" FY19 LILAK consolidated adj. OIBDA of US$1,540 mm, plus an estimated US$380 mm adj. OIBDA following integration of TCR and AT&T PR/FWI operations

(7) Secured debt before premiums, discounts and deferred financing costs, net

US$MM (1)	Ccy	Ticker	Interest	Maturity	Rank	Pro-Forma Unused Capacity (6)	Pro-Forma Debt	2Q20 Debt
LILAK							**403**	**403**
Convertible Notes	USD	LILAK	2%	7/15/24	Sr. Unsecured	-	403	403
C&W							**4,242**	**4,455**
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:							1,972	2,185
C&W revolving credit facility	*USD*		*LIBOR + 3.25%*	*6/23 (2)*		*50*	*-*	*50*
C&W revolving credit facility	*USD*		*LIBOR + 3.25%*	*6/26 (2)*		*475*	*100*	*263*
C&W term loan B-4 facility	*USD*		*LIBOR + 3.25%*	*1/31/26*		*-*	*-*	*-*
C&W term loan B-5 facility	*USD*		*LIBOR + 2.25%*	*1/31/28*	*Sr. Secured*	*-*	*1,510*	*1,510*
C&W regional facilities	*USD/T&T*		*4.463%*	*'20 - '38*		*121*	*362*	*362*
VTR							**1,670**	**1,472**
VTR Finance Senior Notes (1st Lien)	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 (2)	-	550	-
VTR Credit Facilities:							520	212
VTR TLB-1 facility	*CLP*		*ICP + 3.80%*	*11/22 & 5/23 (50%)*		*-*	*179*	*172*
VTR TLB-2 facility	*CLP*		*7%*	*5/23/23*		*-*	*42*	*40*
VTR RCF-A (3)	*CLP*		*TAB + 3.35%*	*5/23/23*		*-*	*100*	*-*
VTR RCF-B (3)	*USD*		*LIBOR + 2.75%*	*3/14/26*		*-*	*200*	*-*
Cabletica							**441**	**124**
Cabletica Credit Facilities:							441	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%)*		*-*	*72*	*75*
Cabletica revolving credit facility	*USD*		*LIBOR + 4.25%*	*10/5/23*		*15*	*-*	*-*
Additional Debt Incurrence - TCR (5)	*USD*		*n/a*	*n/a*		*-*	*320*	*-*
Liberty Puerto Rico							**2,415**	**2,353**
LPR Senior Secured Notes (4)	USD	LILAPR	6.750%	10/15/27	1st Lien	-	1,290	1,290
LPR Credit Facilities:							1,125	1,063
2019 LPR revolving credit facility	*USD*		*LIBOR + 3.5%*	*10/15/25*		*-*	*125*	*63*
2026 SPV credit facility	*USD*		*LIBOR + 5%*	*10/15/26*		*-*	*1,000*	*1,000*
Vendor Financing		-					**176**	**176**
Total Notes, Credit Facilities & Vendor Financing							**9,346**	**8,981**
Operating and finance lease liabilities							152	152
Premiums, discounts, deferred financing costs, net							(142)	(142)
Gross Debt at LILAK							**9,356**	**8,991**
Consolidated Cash & Equivalents (5)							1,411	1,752
Net Debt at LILAK							**7,945**	**7,239**
LTM Adj. OIBDA (6)							**1,920**	**1,485**
Net Leverage							**4.1x**	**4.9x**
Secured Debt (7)							**5,169**	**5,273**
Secured Net Leverage							**2.0x**	**2.4x**

** F/x as of 10/2/20*



CHINA

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22s

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$2,416 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 one third 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 1H20, EBITDA increased 13% y/y. Total Funded Liabilities / Land Bank decreased h/h to 82%. The company achieved positive FCF and expected breakeven FCF for FY20. 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.

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
KAISAG	8.50%	06/30/2022	1,147	/ - / B	98.27	9.59%

Pros

- Higher profit margins than peers.
- Valuable URP not included in land bank provides high quality land bank in tier 1 & 2 cities.
- Faster-than-expected URP conversion.
- Low net WK as % net debt.
- Cash in excess of STD.
- Leverage steadily decreases.
- Political risk boils down.

Cons

- Leverage remains high relative to peers.
- URP business relies on government relations and has inherent politically risk.
- Default history.

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22s

1H20 Preliminary Financials

- Attributable contracted sales was flat y/y at US$5,120mm.
    - Cash collection (from gross contracted sales) improved h/h from 75% to 87%.
- GFA increased 8% y/y to 2.1 million sqm. ASP decreased 7% y/y to US$2,416 per sqm – still high relative to peers.
- Revenue increased 7% y/y to US$3,168mm.
- Calculated EBITDA increased 13% y/y to US$1,573mm.
- Gross and LTM EBITDA margin both increased y/y to 34% and 42%, respectively.
- Roughly one-third of the revenue and contracted sales is contributed by high-margin URPs. Kaisa's relative advantage of high profit margins will be even greater after PBOC's "345 Rule", which forces property developers to cut ASP to boost cash collection.

Contracted sales (US$ mm)	1H20	2H19	1H19	y/y	h/h
Attributable contracted sales	5,120	7,605	5,112	0%	(33%)
y/y	0%	17%	29%	(99%)	(99%)
GFA (m sqm)	2.1	2.7	2.0	8%	(21%)
ASP	2,416	2,835	2,608	(7%)	(15%)
					-

Income Statement (US$ mm)	1H20	2H19	1H19	y/y	h/h
Revenue	3,168	3,973	2,963	7%	(20%)
EBITDA calculated	1,573	1,397	1,396	13%	13%
Gross margin	34%	26%	33%	45 bps	830 bps
EBITDA margin	50%	35%	47%	252 bps	1,448 bps
LTM EBITDA margin	42%	40%	41%	65 bps	131 bps

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22s

1H20 Land Bank Financing

- Land bank increased 4% h/h to US$26,108mm.
- Net WK liability increased 4% h/h to US$5,143mm.
- Non-controlling interest increased 4% h/h to US$4,793mm.
- Excess book value increased 17% h/h to US$4,729mm.
  - Another US$448mm cash inflow generated from changes in LT financial assets FVPL, LT A/R, prepaid taxes and income tax payable.
- Net WK / Net Debt increased h/h to 45%.
- Total Funded Liabilities / Land Bank continued to decrease h/h to 82%.

1H20 Land Bank & URP Reserve

- The company has 27 million sqm GFA land bank.
  - Land bank GFA is equal to 5.6x LTM contractually sold GFA.
  - 14 million of the land bank locate in GBA with constant population net inflow.
- Outside land bank, Kaisa has 42 million sqm (site area) Urban Renewal Project reserve, most of which locate in GBA.
- In 1H20, 0.71 million sqm URP was converted into land bank, versus 0.72 in FY19. Kaisa revised annual conversion target from 0.72 to 1.6.

Land Bank Financing (US$ mm)	1H20	2H19	1H19	y/y	h/h
Sellable inventories	1,937	1,868	2,435	(20%)	4%
A/R	5,771	4,805	3,798	52%	20%
A/P	(2,225)	(2,082)	(1,821)	22%	7%
Other A/P	(3,939)	(3,879)	(3,769)	4%	2%
Customer advances	(6,688)	(5,657)	(6,603)	1%	18%
Net WK balance	(5,143)	(4,944)	(5,960)	(14%)	4%
				-	-
PUD	14,307	13,252	13,067	9%	8%
Land	2,867	2,965	3,271	(12%)	(3%)
Investment properties	5,086	5,071	5,207	(2%)	0%
Equity investment	3,848	3,736	3,387	14%	3%
Land bank	26,108	25,023	24,932	5%	4%
				-	-
Net WK balance	(5,143)	(4,944)	(5,960)	(14%)	4%
Net debt	(11,443)	(11,744)	(12,654)	(10%)	(3%)
NCI	(4,793)	(4,307)	(3,026)	58%	11%
Land bank	26,108	25,023	24,932	5%	4%
Excess book value	4,729	4,028	3,292	44%	17%
Funded liabilities / land bank	82%	84%	87%	(491 bps)	(202 bps)
Total cash / customer advances	86%	90%	63%	2,303 bps	(373 bps)
Net WK / net debt	45%	42%	47%	(216 bps)	285 bps

Land & URP Reserve (msqm)	1H20	2H19	1H19	y/y	h/h
Land bank, GFA	27	27	26	4%	0%
- from URP	14	7	7	93%	-
URP land reserve, site area	42	40	32	32%	6%
- in GBA:	42	39	32	30%	6%

MARKET OUTPERFORM (CHINA):

KAISAG 8.5% 22s

1H20 Debt Profile

- Guarantee to homebuyers' mortgages increased 3% h/h to US$4,830mm, which was equal to 28% of gross debt. The company did not report any guarantee to affiliates' borrowings.
- Gross debt increased 2% h/h to US$17,207mm, including:
    - US$4.646mm onshore bank loans.
    - US$2,753mm onshore non-bank loans.
    - US$688mm offshore bank loans.
    - US$9,120mm USD bonds.
    - No local bond. CNY bond issuance is unlikely under "refi only" rule.
- Total cash increased 13% h/h to US$5,765mm.
- Net debt decreased 3% h/h to US$11,443mm.
- LTM gross and net leverage both decreased h/h to 5.8x and 3.9x, respectively.
- Net Debt / Equity continued to decreased to 1.3x.

Guarantees (US$ mm)	1H20	2H19	1H19	y/y	h/h
Mortgage guarantee	4,830	4,671	4,874	(1%)	3%
Mortgage Guarantee/Gross debt	28%	28%	29%	(90 bps)	32 bps
Debt (US$ mm)	**1H20**	**2H19**	**1H19**	**y/y**	**h/h**
Gross debt	17,207	16,831	16,826	2%	2%
- ST	4,466	4,580	3,269	37%	(2%)
- LT	12,741	12,251	13,557	(6%)	4%
Total cash	5,765	5,087	4,172	38%	13%
- cash & bank balances	4,535	3,852	3,065	48%	18%
- ST bank deposits	233	364	51	-	(36%)
- ST financial assets FVPL	210	6	39	-	-
- restricted cash	787	864	1,018	(23%)	(9%)
Net debt	11,443	11,744	12,654	(10%)	(3%)
LTM gross leverage	5.8x	6.0x	6.4x	(0.6x)	(0.2x)
LTM net leverage	3.9x	4.2x	4.8x	(1.0x)	(0.4x)
Gross debt/equity	2.0x	2.1x	2.6x	(0.6x)	(0.1x)
Net debt/equity	1.3x	1.5x	1.9x	(0.6x)	(0.2x)
Debt Profile (US$ mm)	**1H20**	**2H19**	**1H19**	**y/y**	**h/h**
Gross debt	17,207	16,831	16,826	2%	2%
Onshore bank borrowings	4,646	5,554	6,394	(27%)	(16%)
Onshore non-bank borrowings	2,753	2,693	3,365	(18%)	2%
Offshore bank borrowings	688	337	337	105%	104%
Offshore bonds	9,120	8,247	6,730	36%	11%
<1y	4,469	4,581	3,262	37%	(2%)
1-2y	4,611	3,734	5,811	(21%)	23%
2-5y	7,652	8,172	7,223	6%	(6%)
>5y	481	345	524	(8%)	40%

MARKET OUTPERFORM (CHINA):

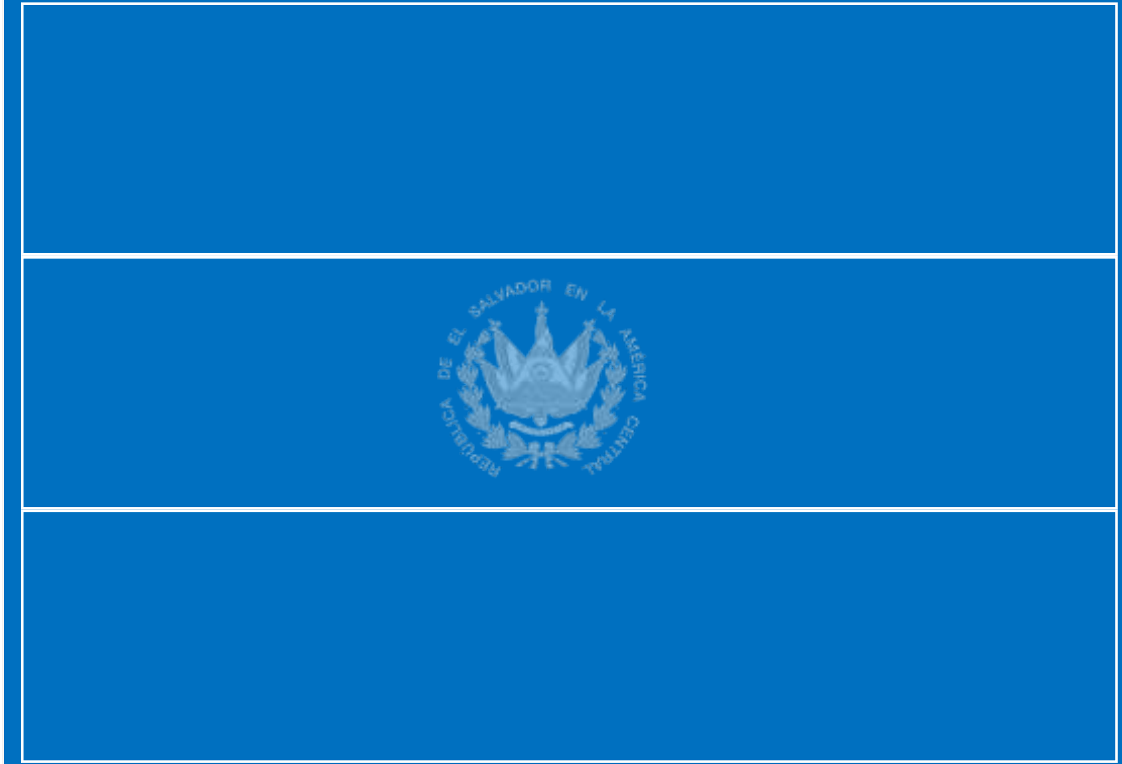
KAISAG 8.5% 22s

1H20 Cash Flow

- According to the management, in 1H20, net operating cash flow was US$114mm outflow.
- Land Acquisition / Cash Collection was high at 58%.
- The implied 2H20 guidance is calculated by deducting 1H20 actual cash flow from whole year guidance.
- In 2H20, net operating cash flow is expected to turn positive US$186mm. Net investing cash flow would be US$186mm outflow. FCF (net operating cash flow + net investing cash flow) is expected to be breakeven.

Cash Flow Guidance (US$ mm)	2H20 Guidance	1H20 Actual	2020 Guidance
Contracted sales	6,500	4,214	10,714
Other inflow	286	286	571
Total op. inflow	6,786	4,500	11,286
Land acquisition	(2,214)	(2,429)	(4,643)
- as % of presales cash	*34%*	*58%*	*43%*
Construction costs	(2,071)	(1,071)	(3,143)
SG&A	(529)	(257)	(786)
Interest	(971)	(743)	(1,714)
Taxes	(671)	(114)	(786)
Dividend	(143)	0	(143)
Total op. outflow	(6,600)	(4,614)	(11,214)
Net CFO	**186**	**(114)**	**71**
Net CFI	**(186)**	**(29)**	**(214)**
CFF inflow	1,457	3,257	4,714
CFF outflow	(1,957)	(2,614)	(4,571)
Net CFF	**(500)**	**643**	**143**
Total cash changes	**(500)**	**500**	**0**

EL SALVADOR



MARKET OUTPERFORM (EL SALVADOR):

UNICMR 7.88% 24s

Grupo Unicomer is one of the largest retailers in Latin America and the Caribbean, operating in 27 countries with 1,147 stores and over 1.4 million credit customers. Unicomer has strong brand recognition with at least 20% market share in most countries. In terms of revenue, Costa Rica (21%), Ecuador (12%) and El Salvador (9%) are the main markets, though it's a highly diversified operation as no country represents more than 20% of EBITDA. In terms of regions, Latin America accounts for 66% of total revenue and the Caribbean 30%. The retailer offers all categories of durable goods products, such as home appliances, electronics and furniture offering unsecured consumer financing for roughly half of the retail sales. Though the retail sector has been severely impacted by lockdowns, 2Q20 retail revenue was only 35% lower y/y with the issuer guiding to September being at pre-pandemic levels. Furthermore, their current strategy of restricting origination at the cost of a lower portfolio, drives positive FCF and supports liquidity position. We note NPLs are elevated at 13%. Under our revised estimate, we assume a conservative approach by reducing retail revenue and impairing the portfolio by 5.0% per quarter. We see the loan portfolio continuing to decrease, driving FCF positive for the year and ending with a cash position of US$160 mm after debt maturities. EBITDA would be 46% lower y/y with a net leverage of 4.4x, remaining elevated and above the current 3.75x debt incurrence covenant. However, we do not see the need for additional financing given their defensive approach to boost liquidity. As a result, with bonds trading at 8.8% YTM we **upgrade UNICMR 24s to Market Outperform.**

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
UNICMR	7.88%	4/1/2024	350	- / BB- / BB-	97.50	8.72%

Pros

- Strong market presence operating in 27 countries throughout Latin America and the Caribbean, with around 1,147 total stores and over 1.4 million customers
- The main retailer revenue categories are durable consumer and electronic goods, offering financing for its core middle- and lower-income customers
- Main retail revenue streams are white-line products 31%, furniture 18%, electronics 15% and cellphones 14%
- Costa Rica (21%), Ecuador (12%) and El Salvador (9%) are the main countries in terms of revenue, yet no country accounts for more than 20% of EBITDA
- 53% of retail sales are financed by Unicomer's
- Strong shareholders Milady Group and Liverpool
- As of 2Q20, the gross portfolio stood at US$905 mm with the issuer restricting origination and focusing on collections to strengthen liquidity
- Per our estimates, the issuer would be FCF positive in 2020 despite the lower retail revenue from portfolio collections, sufficient to cover debt maturities

Cons

- The retail sector has been heavily impacted by covid-19, as stores were closed during country lockdowns, though strictness was not uniform
- Depressed EBITDA through 2020 from the lower retail revenue, as fixed opex and retail store costs aren't easily reduced
- Exposed to business seasonality
- A large portion of customers depend on overseas remittances, any potential limits or disruptions of which could affect the company's operations
- The core middle- and lower-income customers are likely to be impacted by the pandemic, which have driven NPLs to 12.6% as of 2Q20
- FX exposure given USD debt and local currency revenue and portfolio collections, roughly 40% of debt would be in local currency non-USD
- 28% of gross debt is secured
- The issuers leverage calculation includes A/R impairments, which results in an LTM leverage of 5.2x, above the 3.75x debt incurrence covenant
  - Excl. A/R impairments, LTM net leverage improves to 2.7x

MARKET OUTPERFORM (EL SALVADOR):

UNICMR 7.88% 24s

Updated BCP Forecast:

- Per 1Q21 (June 2Q20-end) earnings, we have updated our forecast for 2020,
- Retail Business:
  - 2Q20 consolidated retail revenue decreased by 35% y/y, as Central American and Caribbean countries imposed different lockdown measures
  - We assume a conservative approach where retail revenue continues to decrease by 35% y/y in 3Q20
    - Recovering slightly to a 25% y/y decrease in 4Q20
    - For reference, Unicomer mentioned retail sales during the first two weeks of September 2020 had recovered to pre-pandemic levels
  - Stable COGS at 68% of retail sales
- Financial Business:
  - We assume 85% of budgeted portfolio amortization and interest is collected, with origination slashed by 60% of our estimated 2019 levels
    - In line with the issuers approach taken in 2Q20, focusing on collecting the current portfolio to increase liquidity – a welcome strategy
  - We impair the portfolio by 5.0% per quarter given the historical charge-offs
- On a consolidated basis, 2Q20's SG&A would remain flat during the rest of the year given the recent lease and opex cuts undertaken
  - Capex for 2H20 would be US$14 mm per the issuer's guidance, we also increased the inventory days to be conservative
- **On a pro-forma basis, we see net leverage at 4.4x by 2020 year-end**
  - Retail revenue would be 28% lower y/y in 2020 at US$882 mm
  - The loan portfolio would decrease by 31% vs 4Q19, decreasing interest income accordingly yet improving FCF and liquidity
  - EBITDA would decrease by 46% y/y to US$153 mm in line with the lower retailer revenue
  - However, 2020 FCF would be positive US$155 mm given the strategy of collecting the portfolio and restricting origination
  - After repaying 2020 maturities, cash balance would be US$158 mm
  - **As a result, we don't see the need for additional financing**, FCF would be sufficient to cover debt maturities
  - Yet, we note net leverage would be elevated at 4.5x and above the bond's 3.75x debt incurrence covenant

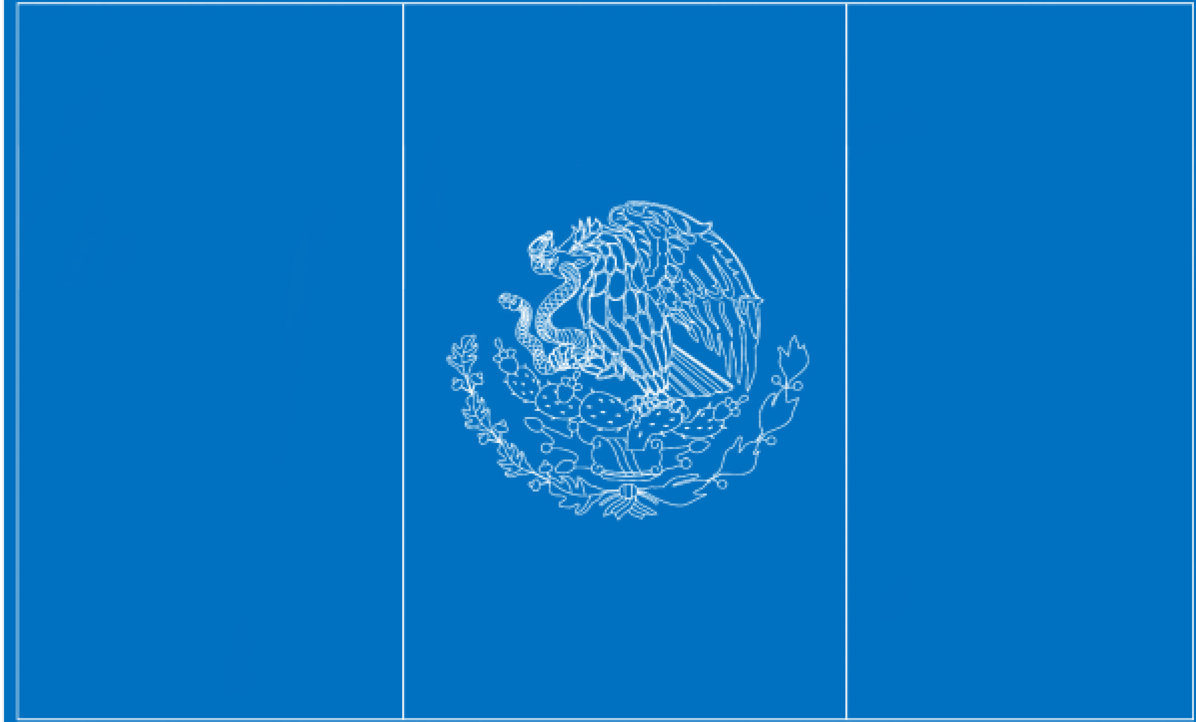
(*) We adjusted Unicomer's financials to the calendar year vs their fiscal year ending in March

MARKET OUTPERFORM (EL SALVADOR):

UNICMR 7.88% 24s

(US MM)	FY18 (Dec)	FY19 (Dec)	1Q20 (Mar)	2Q20 (Jun)	3Q20 Est. (Sep)	4Q20 Est. (Dec)	2020 Est. (Dec)
Retail	1,215	1,218	204	178	180	319	882
Interest income	453	460	112	93	62	56	323
Total Revenue	**1,668**	**1,678**	**316**	**271**	**242**	**375**	**1,205**
EBITDA	**356**	**286**	**75**	**63**	**(11)**	**27**	**153**
Interest Paid	(64)	(103)	(42)	(32)	(32)	(32)	(138)
CAPEX	(37)	(38)	(12)	(2)	(7)	(7)	(28)
Working Capital	(198)	(97)	11	28	66	82	187
Corporate Taxes Paid	(35)	(52)	(10)	(7)	-	(3)	(20)
FCF	**22**	**(5)**	**22**	**49**	**16**	**68**	**155**
Debt (Amortization) Raised					(51)	(51)	(103)
Final Cash					**141**	**158**	**158**
Total Debt	776	939	987	951	899	848	848
Cash	101	121	145	176	141	158	158
Net Debt (incl. Hedge)	675	819	842	775	759	690	690
Gross Leverage	2.2x	3.3x	-	-	-	-	5.5x
Net Leverage	**1.9x**	**2.9x**	**-**	**-**	**-**	**-**	**4.5x**
EBITDA margin	21%	17%	24%	23%	n/a	7%	13%
Net Loan Portfolio	935	924	863	764	692	624	624
Net Debt / Net Loan Portfolio	**72%**	**89%**	**98%**	**101%**	**110%**	**109%**	**109%**

(*) We adjusted Unicomer's financials to the natural year vs their fiscal year ending in March



MEXICO

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

Mexarrend is one of Mexico's largest independent leasing companies with a core focus on SMEs. Similar to Unifin, Mexarrend is well positioned to take advantage of the large underserved SME market. Despite the economic slowdown in Mexico during 2019 pre-covid, Mexarrend has managed to increase its portfolio through stable cash deployment from the recent US$300 mm 2024 bond issuance. Though the avg. SME target market is smaller vs other leasing peers, we note the loan portfolio has low exposure to hard hit sectors such as tourism, energy, and retail. The issuer halted origination in 2Q20, a welcome development, yet offered forbearance to all its portfolio and as such 45% accepted it. However, after the forbearance only 1% of the total portfolio requested additional support. We see good fundamentals, with net debt to net loans at 87% (incl. hedges), fully hedged USD debt, only 8% secured debt and current cash standing above short-term debt. Under our revised estimate, we see a very manageable 8% refinancing gap through 2021 as the issuer's secured debt to loans would only be 3%. Furthermore, the issuer could continue to preserve liquidity by restricting origination as they did in 2Q20, whilst resuming the portfolio amortization collection. The unsecured bonds would account for 90% of gross debt in the capital structure by year-end 2021. Though the 24s have rallied since our upgrade at 56c in our High Octane, we continue to see upside at 74c given the low refinancing gap, low secured debt and stable net debt to loans under our revised estimate. As a result, we **move DOCUFO 24s to "Market Outperform" in our BCP Top Picks.**

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
DOCUFO	9.25%	10/11/2022	31	- / B / B+	67.50	32.49%
DOCUFO	10.25%	7/24/2024	300	- / B / B+	74.00	20.38%

Pros

- One of the largest independent SME leasing companies in Mexico by portfolio size
- As of 2Q20, leasing loans were 81% of the portfolio, leased real estate 13% and the remainder is mostly factoring loans
- Industrial, consumer disc. and healthcare are 32%, 36% and 10% of the portfolio. Low exposure to hardest hit retail, auto, tourism and energy sectors
- Large target market as Mexican SMEs are underserved and represent 50% of GDP
- Secured debt is only 8% of gross debt, as well as fully hedged its USD debt
- Current US$64 mm cash position is above debt maturities due through 2021
- PE shareholders have an option to capitalize the issuer with US$20 mm
- Prudent liquidity management, as the issuer essentially halted origination in 2Q
- After the issuer's forbearance granted, only 1% of the portfolio requested additional relief. In 2Q20, provisioning and charge-offs were below 1%
- In our revised estimate, we see decent liquidity runway with only an 8% of total debt refinancing gap, low secured debt and stable net debt to loans

Cons

- Though the halt in origination was a welcome development, the issuer offered the forbearance to all its customers. As a result, 45% of the portfolio accepted
- Slow economic activity in Mexico pre-covid, in part from Govt. underinvesting
- Target SMEs are relatively smaller with lower avg. ticket sizes vs other leasing peers, which could potentially be more impacted by the covid-19 situation
- Exposure to macroeconomic factors such as NAFTA, that can affect client profit margins and therefore their ability to pay leasing contracts
- Concentrated portfolio with 66% located in Mexico City and the State of Mexico
- Historically, the issuer's average cost of funding has been above peers
- Incurring a negative carry until excess cash from new bond issuance is deployed and converted into loans, though we saw good cash deployment through 1Q20
- High consolidated NPL ratio of 6.3% vs peers, yet leasing NPLs in line with peers
- As of 2Q20, tangible capitalization was 8%, though mainly derived from the hedge instrument accounting that has reduced equity

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

Assumptions:

- Per DOCUFO's guidance, we estimate a 14.3% quarterly origination of net portfolio in 2019
- We estimate the current net portfolio amortization schedule is 14.6% per quarter
  - Cash collections (portfolio amortization plus interest) decreasing by 15% in 2020
  - Cash collections normalizing in 2021
- 2020 consolidated SME origination would be 25% lower vs 2019
  - DOCUFO guided to a recovering origination in 3Q and 4Q, as they essentially halted origination in 2Q20 per mgmt.'s discretion
- Per historical charge-off %'s, we impair the SME portfolio by 1.5% per quarter
- Assuming opex remains flat at 2Q20 levels given the reduced loan origination

Revised Estimates:

- The lower origination would decrease the portfolio by 2% to US$346 mm by 4Q20
  - Yet, FCF would be essentially breakeven
- As of 2Q20, current cash levels were US$64 mm
- The maximum origination prior to increasing gross debt in 2021 would be 10% lower vs 2019
  - We do not see DOCUFO able to ramp-up origination without incremental debt
  - The total portfolio would increase by 8% y/y to US$372 mm
  - The 10% lower origination would result in a US$28 mm FCF outflow for the year
  - Cash would be US$10 mm by year-end 2021
- As a result, we see a US$30 mm financing gap through 2021
  - An implied 8% of total debt, however all US$30 mm are refinancing needs
  - We note secured debt would only be 3%, we suspect the refinancing is manageable
- Net debt would be US$371 mm in 2021, an implied 100% net debt to net loans
  - Incl. hedges, net debt would decrease to US$337 mm, an implied 90% to net loans

DOCUFO (US$ MM)	3Q20	4Q20	2021
Consolidated Collections	**(15%)**	**(15%)**	**0%**
Consolidated Origination	**(25%)**	**(25%)**	**(10%)**
Leasing	289	292	307
Credit and Factoring	5	3	3
Services	2	2	2
Real Estate	47	50	61
Net Loan Portfolio	**343**	**346**	**372**
Loan Growth %	(3%)	1%	8%
Initital Cash	64	48	37
Interest Income	14	14	68
Portfolio Amortization	44	31	140
Total Cash Collection	**58**	**45**	**209**
Portfolio Origination	(39)	(39)	(188)
Admin Expenses	(2)	(2)	(9)
Interest Expense	(19)	(2)	(39)
FCF	**(3)**	**2**	**(28)**
Debt (Amortization)	(13)	(13)	(30)
Debt Raised	-	-	30
Final Cash	**48**	**37**	**10**
Bonds	331	331	331
Bank Debt	62	49	49
Total Debt	**393**	**380**	**380**
Secured Debt %	6%	3%	3%
Net Debt	344	343	371
Net Debt / Total Loans	**100%**	**99%**	**100%**
Derivative Assets	34	34	34
Net Debt (incl. hedge)	310	308	336
Net Debt / Total Loans	**90%**	**89%**	**90%**

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

<u>2Q20 Earnings – Stable:</u>

- 2Q19 Loan portfolio was flat q/q at MXN$8,382 mm (US$365 mm), increasing by 25% on a y/y basis
  - Leasing loans were 2% lower q/q, partially offset by stable industrials and services loans, the latter mainly from the media sector
  - Real estate loans were 2% higher q/q, as the real estate leasing product ramps-up
  - The avg loan balance per customer was 6% higher q/q, as total clients decreased by 6% q/q
  - Leasing and real estate loans account for 81% and 13% of the total loans, respectively
- Consolidated NPLs increased to 6.3%, vs 5.7% last quarter, highlighting that the restructured loans are not considered as NPLs
  - We note that NPLs excl. real estate loans are higher at 8.0%, vs 7.2% reported last quarter
  - However, annualized provisioning was stable q/q at 0.9% with no charge-offs during 2Q20
- Total revenue was 4% lower q/q at MXN$398 mm (US$17 mm), driven by reduced loan origination
- Interest expense was 4% lower q/q at MXN$271 mm (US$12 mm), in line with lower debt and a slight decrease in funding costs
- As a result, the NIM remained stable at 5.2%, vs 5.3% last quarter
- Operating profit was 12% lower q/q at MXN$47 mm (US$2 mm), mainly from the lower financial margin
- Equity / Total assets increased to 10%, with tangible capitalization at 8%
- Total debt decreased to MXN$9,320 mm (US$405 mm), with cash remaining at MXN$1,463 mm (US$64 mm)
  - As of 2Q20, short-term debt was MXN$1,177 mm (13% of total debt), mainly corresponding to local MXN cebures
  - We highlight that both the principal and the coupon payments on both USD bonds are fully hedged

MEXARREND (MXN MM)	2Q20	1Q20	2Q19	q/q	y/y
Total Revenue	398	414	350	(4%)	14%
Interest Expense	271	281	183	(4%)	48%
Net Financial Margin	127	132	168	(4%)	(24%)
Admin. Expenses	53	59	63	(9%)	(15%)
Net Operating Profit	47	54	54	(12%)	(13%)
MEXARREND (MXN MM)	**2Q20**	**1Q20**	**2Q19**	**q/q**	**y/y**
Total Assets	11,386	11,713	8,029	(3%)	42%
Total Debt	9,320	9,883	5,612	(6%)	66%
Cash & Equivalents	1,463	1,526	714	(4%)	105%
Net Debt	7,858	8,357	4,898	(6%)	60%
Total Loan Portfolio	8,382	8,358	6,699	0%	25%
Net Debt / Net Total Loans	**97%**	**103%**	**75%**		
Equity	1,138	973	1,502	17%	(24%)
Equity / Total Assets	10%	8%	19%		
Total Debt / Equity	819%	1016%	374%		
NIM	5%	5%	9%		
Efficiency Ratio (excl. provisions)	42%	44%	37%		
NPL %	6.3%	5.7%	5.7%		
LQA Provision %	0.9%	0.8%	1.0%		
LQA Charge-offs %	0.0%	(1.3%)	(0.6%)		

MARKET OUTPERFORM (MEXICO):

DOCUFO 10.25% 24s

<u>2Q20 Earnings – Continued:</u>

- Recent Highlights:
  - Mexarrend mentioned that 18% of clients were granted support programs, which was mainly a three-month grace period and increasing payments after
    - The issuer pointed out that most clients who took the program in April are currently paying in July
  - In terms of collections, Mexarrend mentioned collections are expected to decline by 14% for the year, better than our 30% collection decline stress test
  - Shareholders continue to have the option to capitalize the issuer with US$20 mm until year-end 2020

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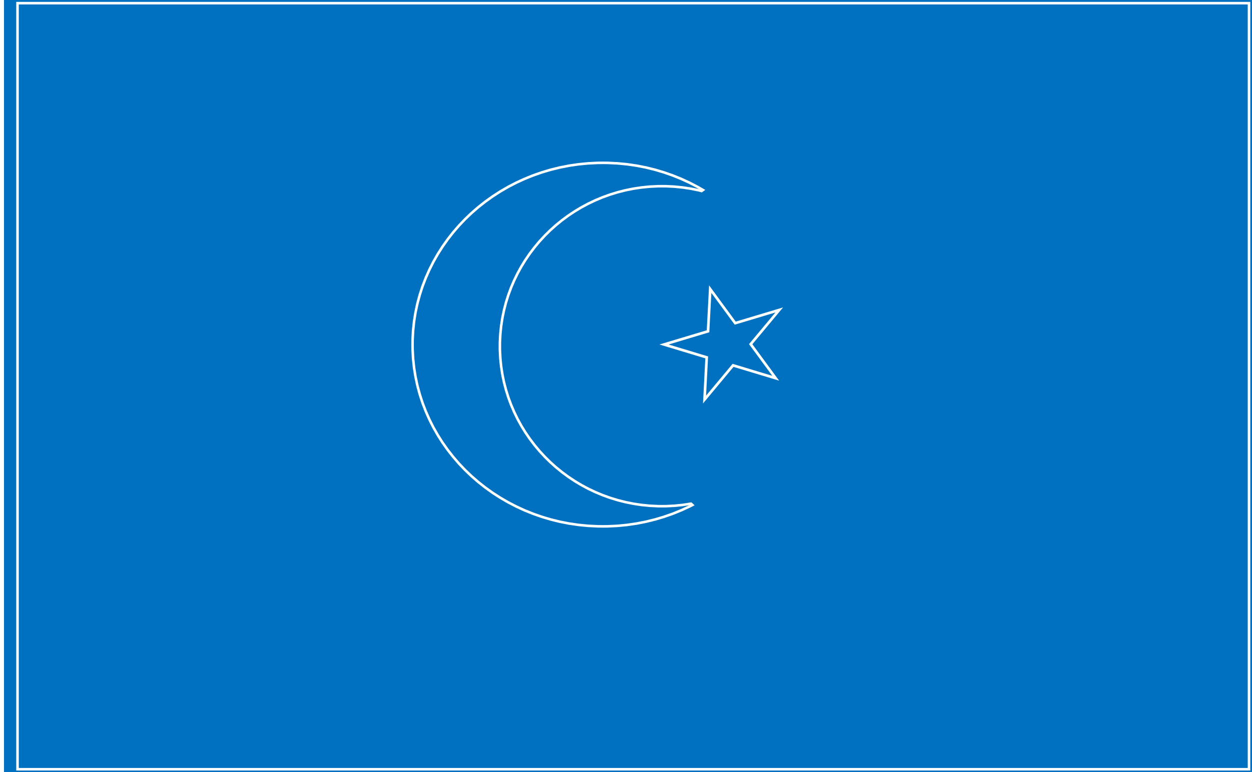
LQA Provision %	0.9%	0.8%	1.0%		
LQA Charge-offs %	0.0%	(1.3%)	(0.6%)		



TURKEY

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
TCZIRA 5.125% 09/29/2023	$600	B2/ - / B+	94.50	7.20%

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

PROS:

- Largest Turkish bank, with a network of more than 1,800 branches.
- The sole bank distributing government subsidized agro-loans with 62% of market share in agribusiness while also a leader in the mortgage business with a 32% market share
- Sound stated asset quality compared to peers with NPL of 2.3% - about half the sector average and lowest among commercial banks, and with the lowest share of stage II loans
- Sound capitalization with CET of 14.0%, one of the highest in the industry
- Strong liquidity with ST fx liability coverage of 2x
- Highest NIM among the state-banks and one of the highest among banks
- Turkish state has proven its support through direct capitalization in 1Q20 the subscription of AT1s in 2019

CONS:

- Strong government pressure to increase lending could impact asset quality. Given forbearance measures applied as a response of covid-19, stated NPLs do not adequately reflect the underlying quality
- Interest collected to accrued was weak in 2Q20 at 71%, and 83% YTD, lowest among peers, perhaps reflecting the above statement
- A new regulation lowered fees banks earned on customer transactions as government intends to further boost credit lending. In Ziraat, Fees and commissions accounted for 13% of total bank revenue in 2019

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

PEER TABLE

	Ziraat	Isbank	Vakif	Yapikredi	Akbank	Garanti	Halk
	2Q20	2Q20	2Q20	2Q20	2Q20	2Q20	2Q20
Senior bond maturity	2023	2023	2023	2023	2024	2023	2021
Senior bond yield	7.2%	7.4%	7.5%	6.9%	6.8%	6.0%	5.7%
Spread to sovereign	140	150	190	140	40	40	70
Gross loans (TRYbn)	575	317	369	273	253	327	425
NPLs (%)	2.3%	5.7%	4.3%	6.7%	6.2%	5.9%	3.9%
Stage 2 loans	6%	12%	9%	16%	12%	15%	8%
Deposit base (TRYbn)	564	337	336	249	259	307	400
Loans to deposits	102%	94%	110%	110%	98%	107%	106%
BCP liquidity ratio (*)	33%	42%	31%	40%	44%	30%	33%
NIM	6.1%	4.7%	5.0%	3.8%	4.4%	5.5%	4.5%
Cost / Income	33.0%	36.4%	27.8%	36.6%	31.6%	35.8%	38.5%
ROAA	1.1%	1.2%	1.2%	1.2%	1.3%	1.6%	0.7%
ROAE	10.8%	10.7%	15.8%	12.4%	10.4%	13.1%	9.6%
Total CAR – pre forbearances	16.7%	16.6%	15.9%	15.7%	19.0%	17.4%	15.7%
CET1 – pre forbearances	14.0%	12.9%	11.3%	11.8%	16.1%	14.8%	11.2%
YTD Interest collected / Interest accrued	83%	89%	79%	95%	90%	100%	83%

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

MARKET OUTPERFORM (TURKEY):

TCZIRA 5.125% 22s

Analysis of 2Q20 results

- Gross loans increased 16% q/q to TRY575bn (US$81.4bn), driven by higher SME and retail loans, mostly GPL
- NPLs decreased 40bps q/q to 2.3%, remaining by far lowest among direct peers
- Share of stage II loans in total is also the lowest at 6.6%, 30bps higher q/q
- According to the company, the impact of new NPLs and stage 2 recognition was 40bps
- Additional 70bps impact on NPLs due to forbearances
- Provisioning increased 63% q/q to TRY4.3bn
- Coverage of NPLs grew to 129%
- Interest collected per cash flow statement represented a low 71% of interest accrued, compared to 95% in previous quarter, with an YTD ratio of 83%
- Deposit base grew 15% q/q to TRY564bn (US$82.3bn)
- Loan to deposit grew 80bps q/q to 102%
- As with the industry as a whole, cash liquidity remains high, with cash and equivalents representing 38% of total deposits and 33% of deposits plus loans and market debt
- According to management, the company has an FX ST liability coverage of around 2x, while reporting an FX liquidity ratio of 323% and a total liquidity ratio of 127%
- Net Interest Income before provisions increased 9% q/q to TRY9,644mm NIM contracted 30bps q/q to 6.1%
- Net income from services decreased 60% q/q to TRY345mm (US$50mm), given new regulation limiting fees
- Opex increased 13% q/q TRY3,429mm (US$499mm)
- Cost / Income improved by 35-bps q/q to 33.0%
- Net income increased 41% q/q to TRY2,638mm (US$384mm)
- ROAE improved 30bps q/q to 10.8%
- Total CAR strengthened 200bps q/q to 16.7% (ex-forbearances), mostly given recent sovereign capitalization, or 18.5% if including forbearances
- TIER1 increased 200bps q/q to 15.7% (ex-forbearances) or 17.5% if including
- CET1 in turn grew 210bps q/q to 14.0% (ex-forbearances) or 15.6% if including

ZIRAAT (TRY MM)	2Q20	2Q19	1Q20	y/y	q/q
Financial income	16,182	17,181	16,051	(6%)	1%
Financial expenses	(6,538)	(11,124)	(7,169)	(41%)	(9%)
NII before provision	9,644	6,057	8,882	59%	9%
Provisions	(4,313)	(864)	(2,644)	399%	63%
Income from services, net	345	791	859	(56%)	(60%)
Operating expenses	(3,429)	(2,363)	(3,029)	45%	13%
Net income	2,638	1,713	1,871	54%	41%
NIM	6.1%	4.5%	6.4%		
Efficiency ratio	33.0%	47.6%	36.5%		
ROAA	1.1%	0.8%	1.1%		
ROAE	10.8%	8.1%	10.5%		

ZIRAAT (TRY MM)	2Q20	2Q19	1Q20	y/y	q/q
Loans	574,690	421,845	494,878	36%	16%
Total deposits	564,333	392,606	490,053	44%	15%
NPL/ loans	2.3%	2.1%	2.7%		
Loans to Deposits	101.8%	107.4%	101.0%		
Cash and equivalents to deposits	38.4%	44.3%	38.8%		
Interest collected to accrued	71%	120%	95%		
Capital Ratio	16.7%	16.0%	14.7%		
CET1	14.0%	13.0%	11.9%		

UKRAINE

MARKET OUTPERFORM (UKRAINE)

METINV 5.625% 25s

Description	Amt (EUR MM)	Ratings M/SP/F	Mid-Price	Mid YTM
METINV 5.625% 06/17/2025	EUR 300 MM	-/ B/ BB-	93.63	7.25%

Metinvest (B2/B/BB-) - Ukraine's leading steel and iron ore producer and the 42nd largest steel producer globally with a 7.5 mm tons produced in 2019 (has a capacity to produce up to 15mm tons annually). Controlled by Mr. Rinat Akhmetov via System Capital Management (SCM) Group (71.24%). Metinvest is self-sufficient in coking coal (49%), metallurgical coke (97%) and iron ore raw materials (343%)

Better than expected 2Q20 financial results supported by strong iron ore prices (+7% q/q) in the second half of 2Q20 and higher sales offsetting negative effect of softer prices earlier in Spring 2020. On LQA basis, net leverage remained stable at 1.9x. FCF positive. High iron ore price is good for Metinvest – it has been above US$90/ton since mid-May 2020 and remains there now, which, in our opinion, holds a promise for a rather good 3Q20 and a decent 4Q20, hence, our 'Outperform' on the METINV 25s.

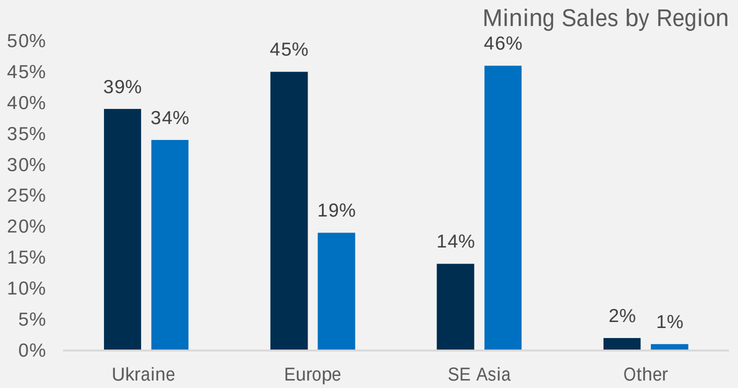
PROS:

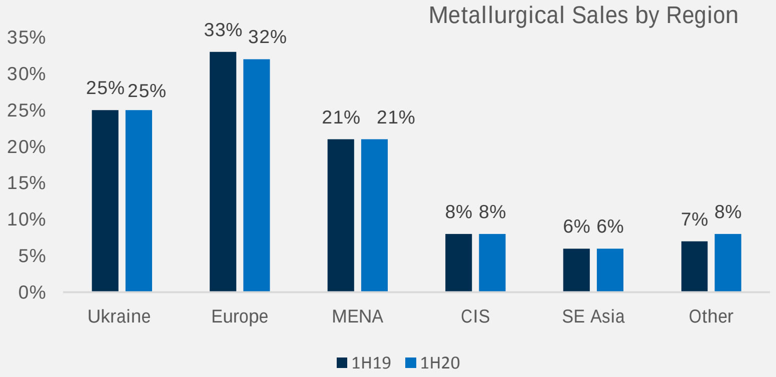
- Majority owner – Mr. Rinat Akhmetov (71.24%), Ukraine's wealthiest individual with a net worth ~ US$5.7 billion
- Ukrainian 'blue chip' – Metinvest is one of the largest private companies in Ukraine – the largest steel producer and one of the largest employers with over 65,000 employees
- Global player – Metinvest is 13th largest among Central and Eastern Europe steel producers and 42nd largest steel producer globally
- Vertical integration – the company's business model and self sufficiency in raw materials allows for flexibility and rapid response to an ever-changing market situation
- Successfully completed – debt reprofiling exercise repaying METINV 21s & partially METINV 23s via a new issuance of METINV 27s

CONS:

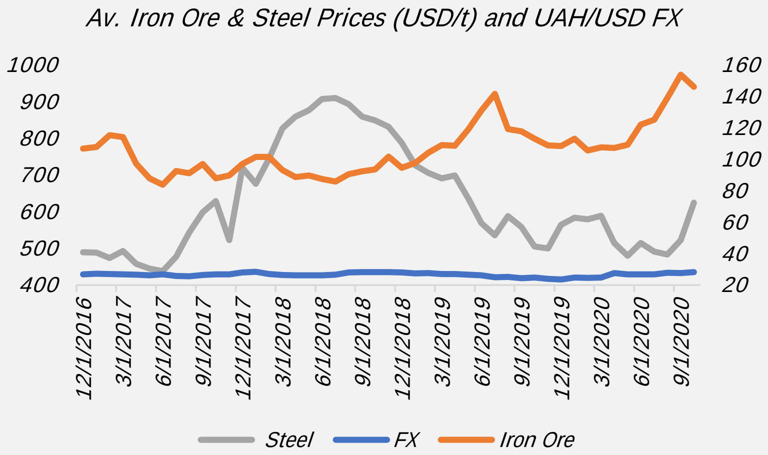
- Politics – From time to time, Mr. Akhmetov's name is mentioned in the local press along the name of his nemesis, Mr. Ihor Kolomoisky (former owner of Privatbank, whos 1+1 Media Group aired a TV series featuring the future Ukrainian President, Mr. Volodymyr Zelensky). The latest well publicized encounter was following the liberalization of the energy market in July 2019
- EU tariffs – in July 2018, the EU imposed a 25% steel tariff, which remain in place. EU steel demand has dropped by ~50% since the COVID-19 outbreak in March 2020
- Sales to Southeast Asia – Metinvest had to re-direct its sales to Southeast Asia, which doubled to 14% in 1H20 vs. 7% in 1H19. This led higher transportation expenses, which negatively impacted EBITDA
- Iron Ore Price Sensitivity – Metinvest is doing well as long as iron ore prices stay above $90/ton

METINV 5.625% 25s





- *We've witnessed some recovery of key benchmarks for steel (above $550/ton) and iron ore (maintains ~$120/ton at the moment), with the regard to the latter, there is a potential for the iron ore price to go down to $90 – 100/ton as it seems a bit elevated to us. The company's cash costs are ~$300 – 330/ton for steel and ~$25/ton for iron ore*
- *With this in mind, we believe that 2020 EBITDA will be at least at the 2019 level or even a bit higher, if iron ore price remains above $90/ton during 4Q20 because: (i) during 1H20 Metinvest already generated 60% of its 2019 EBITDA ($1,213 mm) and (ii) 3Q20 iron ore prices stayed mainly north of $100/ton the whole quarter, whereas it 3Q19 iron ore prices were in the same zip code just in July 2019*



MARKET OUTPERFORM (UKRAINE)

METINV 5.625% 25s

Depending on demand, Metinvest is rather flexible in switching its sales between the metallurgy segment (steel) and the mining one (iron ore)

Metinvest Sales, kt	2019	2018	y/y	2Q20	2Q19	1Q20	q/q	y/y	Jul-20	Jun-20	m/m	May-20
Metallurgy												
Semi	5,151	5,393	-4%	1,563	1,421	1,308	10%	19%	606	623	-3%	563
Pig iron	2,075	2,717	-24%	683	513	493	33%	39%	211	248	-15%	263
Slabs	1,940	1,319	47%	452	475	523	-5%	-14%	242	233	4%	119
Billets	1,136	1,357	-16%	428	433	292	-1%	47%	153	142	8%	180
Finished	9,265	9,617	-4%	2,214	2,468	2,402	-10%	-8%	839	849	-1%	700
Flat	7,674	7,981	-4%	1,841	2,061	1,967	-11%	-6%	683	702	-3%	579
Long	1,427	1,494	-4%	335	357	391	-6%	-14%	143	133	8%	105
Coke	1,882	2,008	-6%	558	437	453	28%	23%	182	178	2%	197
Total	16,298	17,018	-4%	4,335	4,335	4,163	0%	4%	1,627	1,651	-1%	1,459
Mining												
Iron Ore	17,748	15,436	15%	5,187	4,360	4,684	19%	11%	1,655	1,437	15%	2,105
Merch. Ore	10,697	7,335	46%	4,022	2,615	3,226	54%	25%	1,267	1,118	13%	1,501
Pellets	7,051	7,085	0%	1,165	1,745	1,459	-33%	-20%	388	319	22%	604
Coking Coal Conc.	752	385	95%	151	145	266	4%	-43%	116	40	190%	75
Total	18,400	15,868	16%	5,337	4,505	4,950	18%	8%	1,771	1,476	20%	2,180

MARKET OUTPERFORM (UKRAINE)

METINV 5.625% 25s

2Q20 Results – better than expected on strong iron ore price in the second half of 2Q20 and higher sales offsetting negative effect of softer prices earlier in Spring 2020

- Revenue – US$2.43 billion (-19% y/y and -4% q/q) – only slightly lower sequentially supported by strong iron ore prices (+7% q/q) in the second half of 2Q20 and higher sales offsetting negative effect of soft pricing environment due to COVID-19 outbreak in April 2020
  - Steel – av. price declined 13% q/q to US$499.70/ton - remaining short of the $570+ pre-COVID-19 level – at the time of writing at US$535/ton
  - Iron Ore – av. price increased 7% q/q to US$94.57/ton: has been above US$90/ton ever since May 19, 2020 – at the time of writing at US$125/ton
  - 2Q20, in our opinion, turned out better than previously expected; given that contracts are written at least 30 days in advance and iron ore price above $100 since early July 2020 (for the most part of the current quarter), 3Q20 results most likely be rather good
- EBITDA - US$342 mm (-36% y/y and -8% q/q) – declined just a bit on:
  - Lower av. selling prices for steel products (-13% q/q)
  - Higher transportation expenses on the back of doubled sales to Southeast Asia: 14% in 1H20 vs. 7% in 1H19
- EBITDA margin – contracted just slightly to 14% (-4pp y/y and -1pp q/q)
- Capex – US4188 mm (-22% y/y and +27% q/q) – reduced in line with the company's plans to conduct crucial maintenance and completed ongoing strategic projects
- FCF Positive (pre- and post-working capital) on higher profitability and working capital release of US$124 mm (inventory decrease)
- Liquidity – as at end-2Q20, the company had US$465 mm in cash and equivalents (+42% q/q) with plans to maintain the level of liquidity at ~US$300 mm
- Net Leverage – on LTM basis, net leverage at 2.7x vs. 2.4x in 1Q20; and 1.9x on LQA basis – the same as in 1Q20
- Rating Agencies:
  - Moody's – June 16, 2020 – upgraded to 'B2/Stab'
  - S&P – July 22, 2020 – removed from CreditWatch Negative
  - Fitch – June 18, 2020 – revised outlook to Negative
- Successful Debt Extension - In September 2020, the company successfully completed a debt reprofiling exercise repaying the METINV 21s and METINV 23s (partially) though a new issuance of the METINV 27s

MARKET OUTPERFORM (UKRAINE)

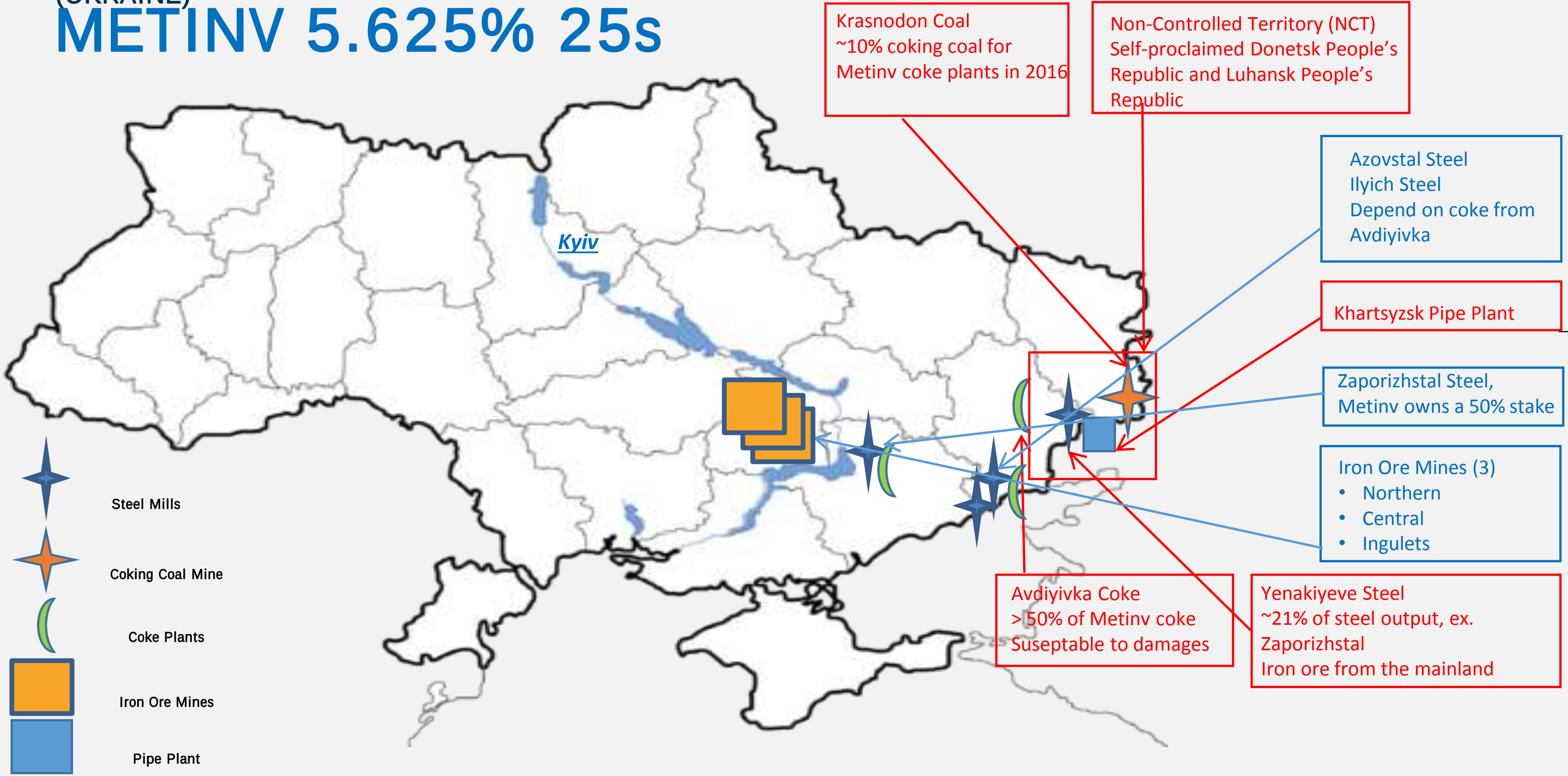
METINV 5.625% 25s

The company's delivered better than expected 2Q20 results with revenue declining only slightly (-4% q/q), whilst EBITDA declined just 8% q/q

Metinvest, USD MM	2019	2018	y/y	2Q20	2Q19	1Q20	q/q	y/y	Jul-20	Jun-20	m/m	May-20
Revenue	10,757	11,880	-9%	2,432	3,018	2,536	-19%	-4%	910	847	7%	843
EBITDA	1,213	2,513	-52%	342	536	373	-36%	-8%	204	54	278%	162
Interest	240	288	-17%	74	15	35	393%	111%	3	18	-83%	25
Capex	1,055	898	17%	188	241	148	-22%	27%	63	26	142%	95
Taxes	240	315	-24%	10	80	11	-88%	-9%	0	3	-100%	7
FCF (pre-WC)	(322)	1,028	n/a	70	200	179	-65%	-61%	138	7	1871%	35
Net Change in Working Capital (WC)	163	(500)	n/a	124	(14)	14	n/a	786%	30	210	-86%	(54)
FCF (post-WC)	(159)	1,528	n/a	194	186	193	4%	1%	168	217	-23%	(19)
EBITDA margin	11%	21%	(10pp)	14%	18%	15%	(4pp)	(1pp)	22%	6%	16pp	19%
Gross Debt	3,032	2,682	13%	3,010	2,753	3,107	9%	-3%	3,081	3,010	2%	3,098
Cash	274	218	26%	465	279	328	67%	42%	611	465	31%	260
Net Debt	2,758	2,464	12%	2,545	2,474	2,779	3%	-8%	2,470	2,545	-3%	2,838
Leverage, LHA/LQA/LMA	2.5x	1.1x	134%	2.2x	1.3x	2.1x	71%	6%	1.3x	4.6x	-73%	1.6x
Net Leverage, LHA/LQA/LMA	2.3x	1.0x	132%	1.9x	1.2x	1.9x	61%	0%	1.0x	3.9x	-74%	1.5x
FX end of period:	23.56	27.48	-14%	26.71	21.17	27.59	26%	-3%	27.70	26.71	4%	26.86
Av. price iron ore, $/ton	90.40	66.34	36%	89.44	94.57	83.74	-5%	7%	105.72	98.48	7%	87.82
Av. price steel, $/ton	602.73	829.45	-27%	499.70	629.43	576.32	-21%	-13%	480.24	505.64	-5%	480.55

MARKET OUTPERFORM
(UKRAINE)

METINV 5.625% 25s



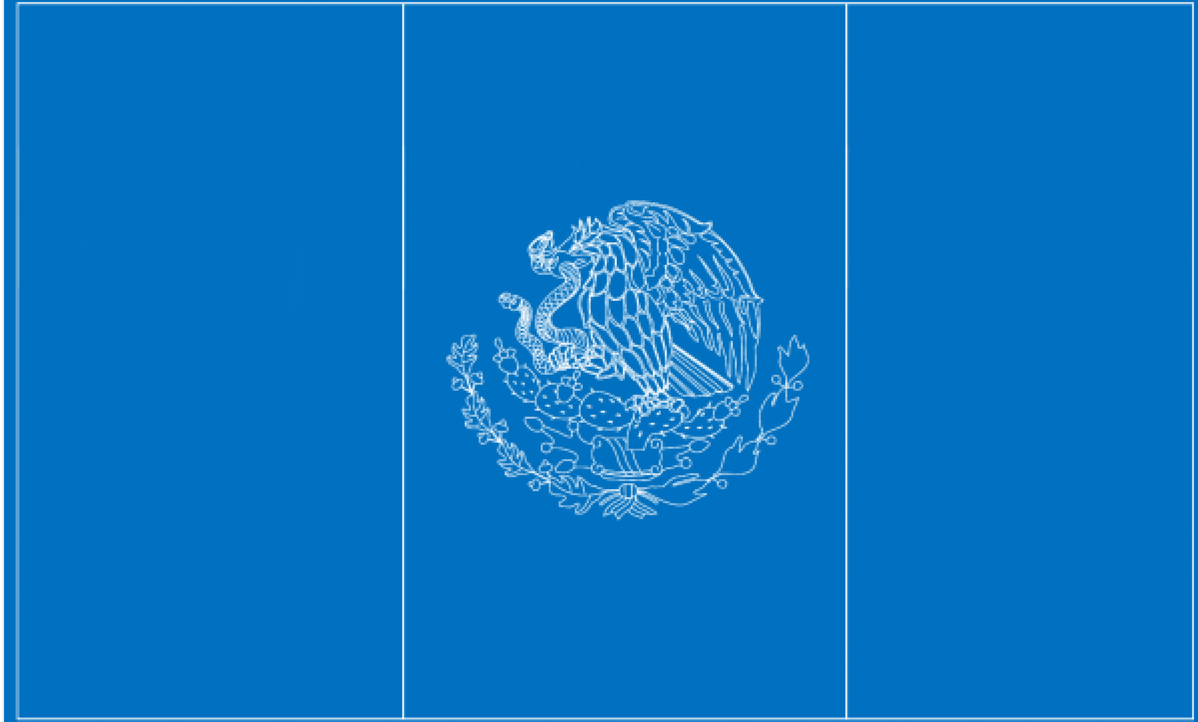
MARKET UNDERPERFORM

MEXICO

CREAL 9.5% 26s

UKRAINE

MHPSA 7.75% 24s



MEXICO

MARKET UNDERPERFORM (MEXICO):

CREAL 9.50% 26s

Crédito Real is one of the largest non-bank payroll lenders in Mexico with a MXN$4.3 bn market cap. Traditionally a payroll lender, accounting for 56% of the total portfolio, focused on Federal Education, IMSS and both Federal and State Govt entities. Govt. PDL are relatively stable given the low Govt. employee turnover during the pandemic, though some agencies have imposed forbearance. Mexico's IMSS represents 18% the portfolio, which imposed a 3-month forbearance. The asset quality deterioration during the pandemic is driven by the SME lending, which are now 24% of gross loans after the CRA leasing consolidation. We suspect weakness in SMEs contributed to the portfolio yield decreasing to 20% vs 30% a year ago. Our main concern is the large funding needs. Under our revised estimate, we see the issuer having a US$450 mm refinancing gap (26% of gross debt) with origination levels being 33% lower vs 2019. Secured debt currently at 25% of the net portfolio is elevated relative to peers. Furthermore, should origination return to 2019 levels the funding gap would increase to over US$1 bn (44% of gross debt). We do note the issuer has strong banking relationships and in the past strong access to capital markets. With higher financing needs than peers and trading a premium, we **downgrade CREAL 26s to Market Underperform.**

Description	Coupon	Maturity	Amt Out (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CREAL	7.25%	7/20/2023	427	- / BB / BB+	98.00	8.06%
CREAL	9.50%	2/7/2026	400	- / BB / BB+	97.00	10.24%
CREAL	9.13%	PERP	230	- / B / BB-	77.00	9.93%

Pros

- One of the largest non-bank lenders in Mexico by loan portfolio
- Low employee turnover at the Mexican Govt. level, stable PDL performance
- Though traditionally a PDL lender, SMEs now account for 24% of the portfolio after the CRA leasing consolidation in 2Q20
- Central America portfolio stands at 11%, whilst the US portfolio at 9%
- As of 2Q20, consolidated NPLs were 1.8%, one of the lowest vs peers, in part as distributors manage collections and are partially liable for missed payments
- Strong banking relations and access to capital markets, highlighted by having low funding costs and recurrent refinancing deals
- Net debt to net loans (incl. hedges) stands at 105%
- Founding family members still hold 33% of the issuer's equity

Cons

- The Mexican Govt. dictates policies on unionized state and federal public sector organizations, subject to continuing uncertainty
- Rotation of administrators within Government entities and labor unions may affect current and future award of contracts
- Mexico's Social Security (IMSS) represents 18% of the portfolio, which imposed a 3-month forbearance period
- In 2Q20, the portfolio yield was 20% vs 30% a year ago. We suspect the decline is due to originators receiving proportional income and weakness in the SME portfolio. SME interest income is recorded on a cash-basis
- 26% of gross debt is due within the next 18 months, challenging as secured debt accounts for roughly 25% of the net portfolio
- Under our revised estimate, we see the issuer unable to increase origination without incurring new additional indebtedness
  - US$640 mm refinancing gap at 1/3 lower origination (26% of gross debt)
  - At 2019 origination, the financing gap would be US$450 mm higher

CREAL 9.50% 26s

Assumptions:

- CREAL originated 14.8% of its net portfolio per quarter during 2019
- We estimate the current net portfolio amortization schedule is 8.1% per quarter
    - Cash collections (portfolio amortization plus interest) decreasing by 10% in 2020
    - Cash collections normalizing in 2021
- 2020 consolidated origination would be 27% lower vs 2019
    - Non-SME PDL origination being 20% lower, with SME origination 50% lower
    - Per issuers guidance, asset quality deterioration driven by their SME portfolio
- Per historical charge-offs, we impair Mexico PDLs by 1.0% per quarter
    - SME loans impaired at 1.5% per quarter
    - Central America loans are impaired at 5.0% per quarter
- Assuming opex remains flat at 2Q20 levels given the reduced loan origination

Revised Estimate:

- Despite lower origination, the portfolio would be 5% higher in 2020 to US$2,285 mm by 4Q20
    - FCF burn would be roughly US$55 mm per quarter
- As of 2Q20, current cash levels were US$127 mm
- The maximum origination prior to increasing gross debt in 2021 would be 33% lower vs 2019
    - We do not see CREAL able to ramp-up origination without incremental debt
    - The total portfolio would increase by 1% y/y to US$2,305 mm
    - The 33% lower origination would mean FCF breakeven for the year
    - Cash would be US$35 mm by year-end 2021
- As a result, we see a US$637 mm financing gap through 2021
    - An implied 26% of total debt, all being refinancing needs
    - With secured debt at 22%, high among peers, adds to the challenge
- Net debt would be US$2,454 mm in 2021, an implied 106% net debt to net loans
    - Incl. hedges, net debt would decrease to US$2,172 mm
    - An implied 94% net debt to net loans

CREAL (US$ MM)	3Q20	4Q20	2021
Consolidated Collections	**(10%)**	**(10%)**	**0%**
Consolidated Origination	**(27%)**	**(27%)**	**(33%)**
MX - Payroll	1,177	1,138	959
MX - SMEs	283	308	373
MX - Used Cars	66	74	92
MX - Others (durable goods, group loans)	77	129	271
Central America - Instacredit	244	245	228
USA - Used Cars	125	137	170
USA - SMEs	70	65	50
MX - CRA Leasing	194	187	162
Net Loan Portfolio	**2,237**	**2,285**	**2,305**
Loan Growth %	2%	2%	1%
Initital Cash	127	71	20
Interest Income	112	114	507
Portfolio Amortization	159	162	735
Total Cash Collection	**271**	**276**	**1,243**
Portfolio Origination	(245)	(245)	(897)
Admin Expenses	(34)	(34)	(135)
Interest Expense	(49)	(49)	(195)
FCF	**(56)**	**(51)**	**15**
Debt (Amortization)	(163)	(68)	(406)
Debt Raised	163	68	406
Final Cash	**71**	**20**	**35**
Bonds	1,557	1,557	1,557
Bank Debt	932	932	932
Total Debt	**2,490**	**2,490**	**2,490**
Secured Debt %	22%	22%	22%
Net Debt	2,418	2,470	2,454
Net Debt / Total Loans	**108%**	**108%**	**106%**
Derivative Assets	283	283	283
Net Debt (incl. hedge)	2,136	2,187	2,172
Net Debt / Total Loans	**95%**	**96%**	**94%**

CREAL 9.50% 26s

2Q20 EARNINGS – SOFT

- 2Q20 Loan portfolio increased by 5% q/q to MXN$51.9 bn (US$2,259 mm), increasing by 26% on a y/y basis
    - Q/Q Loan growth was from the consolidation of CRA, an SME leasing & factoring subsidiary, which added MXN$4.7 bn to the loan portfolio
- Excl. CRA, the loan portfolio would have decreased by 5% q/q to MXN$47.2 bn (US$2,052 mm)
    - PDL loans were 2% higher q/q at MXN$29.0 bn, despite a 26% q/q decline in PDL origination and stable balances per customer as Education Ministry loans doubled q/q
    - Mexico SME loans were 22% lower q/q at MXN$6.0 bn, in line with a 21% q/q decline in clients, however SME origination was 60% higher q/q incl. CRA
        - Incl. the CRA consolidation loans, the total Mexico SME loans would increase to MXN$10.8 bn
    - Central America loans were 3% lower q/q and US SME loans were 36% q/q was despite relatively stable SME clients
- Consolidated NPLs were 1.8%, vs 1.5% last quarter, incl. the CRA leasing consolidation which have higher NPLs at 4.7%
    - PDL loan NPLs increased to 1.8%, vs 1.1% last quarter, as well as Central America NPLs almost doubling to 8.3% (prior to relief programs)
    - Though provisioning improved slightly to 3.1%, loan charge-offs doubled to 2.9% vs 1.4% last quarter
    - For reference, CREAL NPLs at its local CRELCB19 securitization had increased to 3.5% as of June, from just 1.2% in January
- Interest income was 11% lower q/q at MXN$2.4 bn (US$103 mm), due to continued loan yield declines to 20%, vs 22% last quarter
- Interest expense was 9% higher q/q at MXN$1.2 bn (US$51 mm), in line with higher debt as funding costs were stable q/q

CREDITO REAL (MXN MM)	2Q20	1Q20	2Q19	q/q	y/y
Interest Income	2,400	2,692	2,860	(11%)	(16%)
Interest Expense	1,181	1,080	1,099	9%	7%
Net Interest Income	1,219	1,612	1,760	(24%)	(31%)
Admin. Expenses	785	773	852	2%	(8%)
Net Operating Profit	205	466	703	(56%)	(71%)
CREDITO REAL (MXN MM)	**2Q20**	**1Q20**	**2Q19**	**q/q**	**y/y**
Total Assets	74,654	72,970	54,015	2%	38%
Total Debt (incl. PERP)	57,236	55,052	39,235	4%	46%
Cash & Equivalents	1,129	1,919	512	(41%)	121%
Net Debt	56,106	53,132	38,723	6%	45%
Total Loan Portfolio	51,943	49,664	41,085	5%	26%
Net Debt / Net Total Loans	**112%**	**111%**	**97%**		
Equity	17,856	19,137	15,936	(7%)	12%
Equity / Total Assets	24%	26%	30%		
Total Debt / Equity	297%	266%	220%		
NIM	12%	13%	18%		
Efficiency Ratio (excl. provisions)	62%	50%	42%		
NPL %	1.8%	1.5%	1.5%		
LQA Provision %	3.1%	3.7%	2.5%		
LQA Charge-offs %	2.9%	1.4%	2.8%		

CREAL 9.50% 26s

2Q20 EARNINGS – CONT'D

- Operating profit was 56% lower q/q at MXN$0.2 bn (US$9 mm), due to the inclusion of D&A expense from the acquired leasing loans
    - We note that other income now includes recoveries from written-off loans and income from the CRA leasing portfolio
- The NIM contracted to 12% vs 13% last quarter, due to the lower loan yield
- The efficiency ratio increased to 62%, with the Equity / Total assets decreasing to 24%
- Total debt increased to MXN$57.2 bn (US$2,490 mm), with cash decreasing to MXN$1.1 bn (US$49 mm)
    - As of 2Q20, debt maturities due 2020 were MXN$5.8 bn and MXN$9.1 bn due 2021
    - In May 2020, the issuer drew a total of MXN$1.4 bn from its bank lines and renewed another MXN$3.0 bn
    - In April 2020, CREAL acquired a US$50 mm 1-yr loan and approved a MTN program for issuing up to MXN$1.5 bn
- Recent Highlights:
    - Though CREAL mentioned resilient PDL performance, we note the issuer mentioned 9% of total loans were "renegotiated"
        - This figure excludes the IMSS, which accounted for 17% of total loans, a Govt. entity that applied a 3-month forbearance period
    - In terms of collections, CREAL mentioned April being the worst month with an 89% collection level vs their expectation, improving to 92% in June
    - CREAL announced a partnership with FAMSA, expecting to originate MXN$3.5 bn per year in Govt. PDL loans through FAMSA's retailer network

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Equity / Total Assets	24%	26%	30%		
Total Debt / Equity	297%	266%	220%		
NIM	12%	13%	18%		
Efficiency Ratio (excl. provisions)	62%	50%	42%		
NPL %	1.8%	1.5%	1.5%		
LQA Provision %	3.1%	3.7%	2.5%		
LQA Charge-offs %	2.9%	1.4%	2.8%		

UKRAINE

MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
MHPSA 7.75% 05/10/2024	$500	- / B / B+	104.75	6.25%

MHP (B2/ B/ B+) - Ukraine's largest poultry producer with ~50% domestic market share of industrially produced poultry. Controlled by its founder and CEO, Mr. Yuriy Kosiuk (65%) and listed on the London Stock Exchange (LSE) since 2008. In recent years, MHP grew organically (Vynnitsya project) and through acquisitions (Perutnina Ptuji (Slovenia), 2019).

Despite increased production, revenue declines on the backdrop of weak poultry prices and EBITDA is down on increasing operating expenses. Net debt creeps up. Increasing indebtedness and soft pricing environment, indicates to us a potential for a subdued financial performance in the next few quarters, hence our 'Market Underperform' on the MHPSA 24s.

PROS:

- Majority Owner – Mr. Yuriy Kosiuk (65%) with a net worth of ~US$1 billion, according to Forbes, who is a consistent presence in the Top 10 richest people of Ukraine list
- Ukrainian 'blue chip' – MHP is year after year the top producer and exporter of poultry (2019) with 729,000 tons of poultry produced (+18% y/y) and 53% of sales exported; domestic market share – over 50% of industrial output
- The LSE-listed (since 2008) - with a market capitalization of just over US$588 mm with a 35% free-float
- Vertical-integration – produces 100% of its fodder (three mills; total crop area ~360,000 ha); produces hatching eggs and broilers (four chicken farms serviced by two breeder farms)
- Successful navigation of trading landscape – MHP has trading agreements with over 80 countries world-wide; established JV in Europe and exploring the UAE market

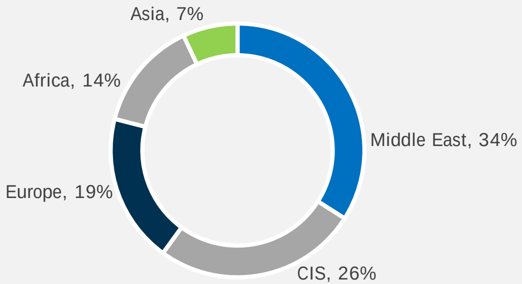
CONS:

- Large, leased land bank – 370,000 ha: a notable impact on the company's net leverage once the company presents its numbers with IFRS 16; plans to further increase to 550,000 ha
- Large Scale investment project in Ukraine – Vynnitsya Poultry Farm's total capacity (once fully commissioned in the next two years) will be 260,000 tons of poultry/year; Vynnitsya Phase I has been completed and Vynnytsya Phase II is under way (12 brigades); paused due to the COVID-19 outbreak
- Rapid Expansion in Europe – a JV in Netherlands, processing plant in Slovakia and an acquisition of Perutnina Ptuji in Slovenia in 2019
- Consistently generous dividend – of at least US$80 mm annually

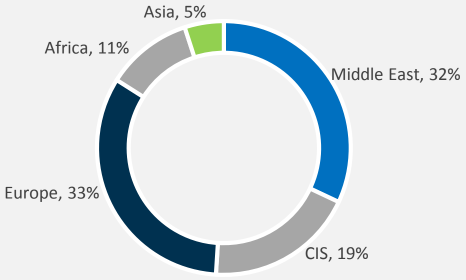
MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

Export Destinations, 2Q20



Export Destinations, 2019

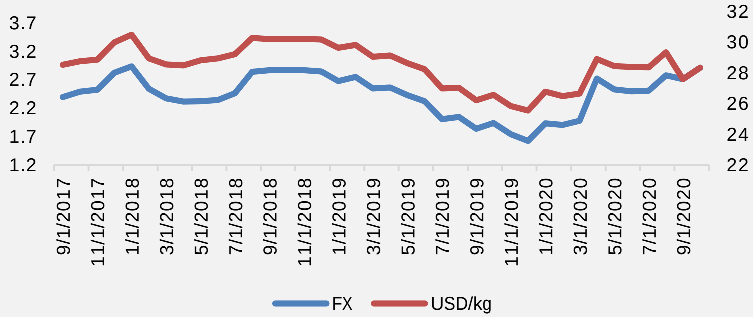


- *MHP Export Revenue (53% of the total revenue vs. 47% in 1Q20) – serves as a natural FX hedge: export revenue in full covers debt service expenses*

- *At the moment, there are no export restrictions, following the restrictions imposed by the EU, Saudi Arabia and MENA regions due to outbreak of an avian flue (H5N1) in Ukraine (Vinnytsia region) in Jan 2020*

- *Although, poultry prices recovered to just over US$1.5/kg from the low of US$1.3/kg (April 2020), they remain 21% lower than in 3Q19, when they were just north of US$1.9/kg. With an abundant poultry supply and soft pricing environment, we expect a subdued financial performance from MHP for the next few quarters.*

Av. Poultry Prices (USD/Kg) and UAH/USD FX



MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

2Q20 IFRS Financial Results

MHP, USD MM	2Q20	2Q19	y/y	1Q20	q/q	2019	2018	y/y
Revenue	425	509	-17%	443	-4%	2,056	1,556	32%
Adj. EBITDA	129	165	-22%	96	34%	427	450	-5%
Adj. EBITDA margin	30%	32%	(2pp)	22%	8pp	21%	29%	(8pp)
Adj. EBITDA (net of IFRS 16)	126	165	-24%	90	40%	376	450	-16%
Adj. EBITDA margin (net of IFRS 16)	30%	32%	(2pp)	20%	10pp	18%	29%	(11pp)
EBITDA (BCP est)	86	117	-26%	93	-8%	382	415	-8%
EBITDA margin (BCP est)	20%	23%	(3pp)	21%	(1pp)	19%	27%	(8pp)
Interest	(61)	(57)	7%	(11)	431%	(135)	(93)	45%
Tax	(1)	(2)	-36%	(1)	59%	(12)	(13)	-14%
Capex	(17)	(33)	-48%	(21)	-21%	(113)	(252)	-55%
FCF (pre-WC)	7	25	-72%	60	-88%	123	57	117%
Working Capital (WC), Net Change	(7)	24	n/a	(116)	-94%	192	(45)	n/a
FCF (post-WC)	(0)	49	n/a	(56)	n/a	315	12	2618%
Short-Term Debt	85	393	-78%	154	-45%	111	157	-29%
Long-Term Debt	1,597	1,316	21%	1,565	2%	1,593	1,206	32%
Gross Debt	1,682	1,709	-2%	1,719	-2%	1,704	1,362	25%
Cash	185	157	18%	252	-26%	341	212	61%
Net Debt	1,496	1,552	-4%	1,467	2%	1,363	1,151	19%
EBITDA LTM (net of IFRS 16)	345	460	-25%	406	-15%	379	450	-16%
Leverage LTM	4.9x	3.7x	31%	4.2x	15%	4.5x	3.0x	49%
Net Leverage LTM	4.3x	3.4x	29%	3.6x	20%	3.6x	2.6x	41%
EBITDA LTM (BCP est)	355	409	-13%	387	-8%	382	415	-8%
Leverage (BCP est)	4.7x	4.2x	13%	4.4x	7%	4.5x	3.3x	36%
Net Leverage (BCP est)	4.2x	3.8x	11%	3.8x	11%	3.6x	2.8x	29%
FX (UAH/USD)	26.71	21.17	26%	27.59	-3%	23.81	27.48	-13%

2Q20 IFRS Financial Results:

- Revenue – US$425 mm (-17% y/y and -4% q/q) – slightly declined sequentially: lower prices (please see the table below) were partially offset by higher sales (please see table below)
- EBITDA – increased quite a bit sequentially helped by non-cash bio asset gains (IAS 41)
    - Adj. EBITDA (net of IFRS 16) – US$126 mm (-24% y/y and +40% q/q)
    - Adj. EBITDA – US$129 mm (-22% y/y and +34% q/q)
- EBITDA (BCP est. without taking into account IAS41) – US$86 mm (-26% y/y and -8% q/q) – IAS 41 (net change of bio assets and agro produce)
- Capex – US$17 mm (-48% y/y and -21% q/q) – mostly for maintenance of Perutnina Ptuj (PP)

MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

2Q20 IFRS Financial Results (continued):

- ○ 2020 Capex is expected at a level of US$100 mm with no major projects or acquisitions are planned at the moment - if necessary, the company can reduce its capex by 20 – 30%
- ○ The VPF2 was postponed for the time being - be revisited by end-2020: would require US$170 – 200 mm

- FCF - break even post US$7 mm investment in working capital – management expects 2020 working capital investment to be in a range of US$100 - 120 mm

- ○ Working capital – so far, MHP invested US$123 mm into working capital (US$116 mm in 1Q20 and US$7 mm in 2Q20) vs. US$86 mm working capital divestment in 1H19 (US$62 mm reduction in 1Q19 and US$24 mm) due to:

(1) higher investments in inventory (soya and sunflower) designated for internal consumption, due to lower stocks of crops as at end-2019

(2) investment in inventories prior to the spring sowing campaign (seeds, fertilizers, etc.) and

- Liquidity – as at end-2Q20, MHP had US$185 mm in cash and equivalents (-26% q/q) vs. US$85 mm in short-term (ST) debt (incl. leases)

- MHP has access to a revolving, undrawn credit line in the amount of US$200 mm

- Total debt - unchanged sequentially at US$1.7 billion (-2% q/q)

- Net Leverage – edged up to 4.3x based on the reported EBITDA (incl IFRS 16); at 4.2x, based on our estimates (w/o bio assets) – in both cases, on lower LTM EBITDA
- As per its bonds and loan covenants, MHP presents its net leverage ex IFRS 16, hence, net debt/LTM EBITDA ratio is at 3.72x vs 3.17x in 1Q20, according to the company
- Eurobond covenant is at 3.0x – resulting in a limitation on various restricted payments (dividends, share buybacks and investments into and loans to third parties, etc.) – the restrictions came into effect on April 14, 2020
- Management – expects net leverage to be at 3.0x – 3.5x by end-2020 on higher sales; previously, management expected for net leverage to reach 2.8x by the end of 2020

MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

Poultry production continues to increase while prices remain soft

MHP Operational Results	2Q20	2Q19	y/y	1Q20	q/q	2019	2018	y/y
Poultry Production, tons	181,291	182,306	-1%	178,640	1%	728,917	617,943	18%
Sales to 3rd parties, tons	170,912	181,273	-6%	157,729	8%	669,964	593,527	13%
Domestic, tons	82,407	83,834	-2%	75,681	9%	312,531	306,680	2%
Export, tons	88,505	97,439	-9%	82,048	8%	357,433	286,846	25%
Av. Price per kg net of VAT, USD	1.27	1.51	-16%	1.37	-7%	1.47	1.47	0%
Av. Price per kg net of VAT, UAH - Ukraine	31.82	37.66	-16%	32.38	-2%	38.06	39.86	-5%
Av. Price per kg net of VAT, USD - export	1.35	1.59	-15%	1.45	-7%	1.49	1.59	-6%
Sunflower Oil Sales, tons	82,646	86,661	-5%	80,710	2%	384,150	315,079	22%
Soybean Oil Sales, tons	10,841	9,097	19%	10,768	1%	51,774	50,044	3%
FX (UAH/USD)	26.71	26.16	2%	27.59	-3%	23.81	27.48	-13%

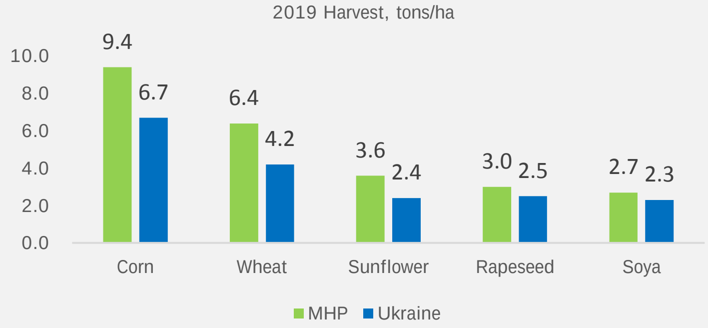
- Note on Land reform – On March 31, 2020, the Ukrainian Parliament voted for the law on agricultural land market. The Law will lift the current moratorium with effect from July 1, 2021, including the prohibition to change land designation. The government has already excluded foreign participation, which should support local buyers

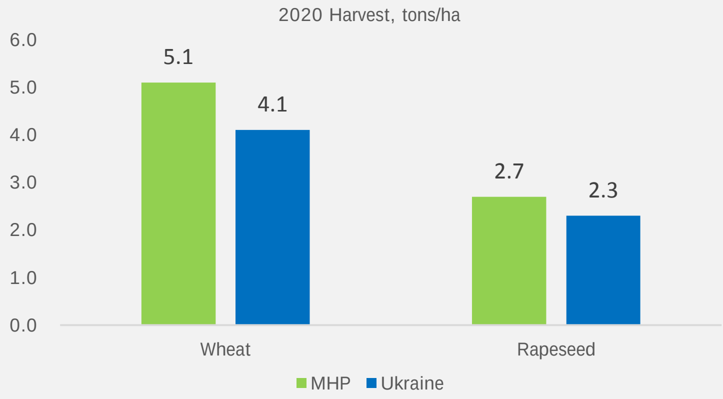
MARKET UNDERPERFORM (UKRAINE):

MHPSA 7.75% 24s

MHP (B2 /B / B+) LSE-listed with a market cap of US$ 588.7M

Grain Growing Operations – 360,000 ha leased landbank vs 370,000 ha in 2019





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"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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Quasi Sovereign Universe
"Market Overweight" – The spread of the bond to its similarly duration sovereign controller bond is expected to decrease over the next 3 – 6 months.

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"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

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