ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 2Q18

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Mexico: Should We Worry?– Dr. Walter Molano, Ph.D.
EM Corporate Highlights– Corporate Research
Top Picks for 2Q18 – Corporate Research

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MEXICO: SHOULD WE WORRY?

This year could be a tumultuous year for Mexico. Presidential elections, the renegotiation of NAFTA and an ever-belligerent neighbor could create serious problems. These concerns have been manifested in the Mexican peso (MXN). For most of December, the currency was on a downward slide—reaching almost 20 by the end of the year. However, market sentiment improved at the start of the new year. Several factors helped explain the reversal. First, the market is in a risk-off mood. A coordinated economic recovery, among the largest economies in the world, is fueling a search for any asset that will boost returns. Global equity indices, greatly helped by the ETF phenomenon, continue to post all-time highs. Bond spreads continue to be extremely tight. As a result, investors are piling into the local currency markets. Even emerging market currencies with questionable situations, such as Mexico, are attracting inflows. The second major factor is the growing realization that the U.S. will not walk away from NAFTA. As we argued from the moment that President Donald Trump began threatening to abrogate the North American Trade Agreement (NAFTA), the pact was designed by the U.S for the benefit of the U.S. Unfortunately, Washington has never had a magnanimous disposition towards Mexico. The treaty, which was led by the automobile industry, sought to exploit labor and environmental regulatory differences that existed between Mexico/Canada and the U.S. Thanks to NAFTA, the U.S. automobile industry was able to survive the explosive growth of health care costs, as well as the onslaught of new environmental regulation, during the 1980s and 1990s. Against this backdrop, the U.S. auto industry was facing a tidal wave of competitive pressures from European and Asian competitors. Thanks to NAFTA, not only was the sector able to survive. It made a major comeback. Therefore, it is not surprising that the sector is unleashing a barrage of lobbying pressure against the Trump Administration to reverse its stance. As has been the case since the administration came to office, it will probably not be able to withstand the lobbying pressure.

The Mexican peso has become a bellwether for the mood in the NAFTA negotiations. The recent turnaround in the currency is occurring at the same time that the negotiations seem to be making progress. There seems to be only a few sticking points, with the main ones being the country of origin rules, Chapter 19 ISDS disputes and tax-free e-commerce purchases. The first one is very understandable, given that many European and Asian manufacturers have used Mexico as a back door to export products into the U.S. with more favorable tariffs. The second sticking point is the venue that will be used to adjudicate dumping disputes. Under the current format, the U.S. has been losing more of the disputes than its neighbors. Therefore, Washington is looking to change the venue. The third one is mainly pushed by Amazon. It wants to raise the tax-free threshold for e-commerce products purchases in Mexico and Canada, from the current level of $50 and $16, respectively, to $800. In other words, the negotiations are mainly a modernization and actualization of the quarter century old trade agreement. None of them seem to be a deal-breaker, and they will most likely be resolved. Even, in the worst case, if the U.S. walks away from the trade agreement. Not much will change because the tariffs would reset to WTO rules, which all three countries are signatories. This would imply slightly higher tariffs, but they would be offset by a corresponding adjustment in the Mexican peso and Canadian dollar.

As for the other risk factors that loom ahead, such as the presidential elections, local analysts are not as worried. It is true that President Peña Nieto has led one of the most corrupt governments in modern times, reducing the chances that the PRI will be re-elected this year, but it is also true that the Mexican political spectrum has fragmented into a universe of tiny factions. Moreover, the bête noire of the Mexican business community, Andres Manuel Lopez Obrador, has a knack for self-immolation, as well as suffering from lone-wolf syndrome. His recent gaff that he would be willing to grant amnesties for drug cartel leaders only served to dent his appeal. Furthermore, his refusal to align himself with the other leftist parties ensures that the field will remain fragmented. This is important because Mexico, unlike most of the other Latin American countries, has a first-past-the-post electoral system. This means that there is no second round. Therefore, a candidate could win the race, even if he/she lacks a majority. Given that the PRI remains a powerful political machine, it may still be able to squeak past the finishing line, especially if the field remains fragmented. Therefore, there may be good reason to jump back onto the MXN bandwagon.

Dr. Walter Molano, Ph.D.
January 8, 2018

EM CORPORATE HIGHLIGHTS 2Q'18

Argentina

- GDP growth in 2017 was 2.9%, resulting in no GDP Warrant payment in 2018
- Severe droughts in the interior parts of Argentina led to losses estimated at US$4.6 bn (0.7% assuming IMF 2018 GDP projection), which will most likely lead to another year of less than 3.0% growth and no triggering of GDP Warrant payments
- Argentina's poverty rate dropped to 25.7% in Dec-17 from 30.3% in Dec-16, according to the INDEC
- High inflation persists. In the first two months of 2018, accumulated inflation was 4.2%. Private estimates are in the 20% level and government's target is 15%
- The ARS depreciated 8% in 1Q18, with several interventions from the Central Bank in order to avoid further weakness
- A fiscal pact was approved by all local legislatures but La Pampa, who together with San Luis, are the only two provinces not adhering to the pact
- Chubut gaffe: Chubut's governor called for restructuring and bonds plummeted. The governor later said he was referring to a refinancing. The National government stepped in and assisted the province through direct financing
- Two new issuers: MSU US$600 mm and Aguas Argentinas US$500 mm. Cresud also tapped for US$113 mm and Genneia US$150 mm. No issuances from provinces

Brazil

- Court upheld corruption conviction for former president Lula and the last appeal in the Regional Federal Court was rejected, but the defense filed a request for habeas corpus, which was postponed by the Supreme Federal Court to April 4
- Central Bank cut the Selic rate two times, lowering from 7.0% to 6.5%
- End of period for recovery election by Oi's bondholder after individualization of credits
- New round of investigations regarding Carne Fraca led to arrest of BRF's former CEO
- Joesley and Wesley Batista (former JBS executives) were released from jail
- ODEBRE completed the debt exchange offer
- Fibria and Suzano announced their business combination, creating a global pulp giant
- New issuances from CSN, JBS USA, Banco Safra, Petrobras, Natura, Hidrovias, Marfrig, Rede D'Or, and re-taps from Rumo, JSL, and Gol

EM CORPORATE HIGHLIGHTS 2Q'18

Peru

- President PPK resigned after linkage with Odebrecht's corruption scandal

Ecuador

- With nearly two thirds of positive votes, Ecuador eliminates indefinite reelections in a referendum called by President Moreno, preventing Correa from returning to power
- February oil production ended at 513 kbpd vs 520 kbpd in Dec-17 and 531 kbpd for 2017
- Recent audits suggest debt during Correa's administration was understated and could reach up to 60% of GDP (vs 32% published), above the country's ceiling for issuing new debt

Mexico

- The NAFTA renegotiation picked up positive momentum by closing several chapters, although remaining items include rules of origin and Chapter 19. Reportedly, the US would be willing to ease its current position and reach agreement near term
- Mexican negotiators are pushing to conclude the NAFTA deal before the presidential election, as the potential AMLO victory would drag the negotiations even longer
- The Mexican Peso has retained strength from recent positive NAFTA progress, which so far, the market seems to value more than a negative result in the upcoming elections
- In the latest Bloomberg poll of polls – AMLO leads the 2018 presidential election with 42% of the votes, followed by Anaya with 27% and Meade in third with 20%
- AMLO continues to generate uncertainty on major Mexican reforms and the airport contract. Meanwhile, Anaya is being negatively affected by an illegal sale of property
- Mexico signed an international trade deal with 11 countries protecting the domestic textile, clothing and footwear market. The trade deal sets import taxes on Asia and establishes guidelines to ensure imports do not come from China
- Banxico raised the base interest rate to 7.5% due to ongoing high inflation concerns
- The ongoing battle between Televisa and America Movil continued, with the regulators clearly favoring Televisa. The IFT stated that Televisa does not hold substantial power in the pay-tv segment and has not granted AMX permission to enter the business. Furthermore, the IFT also ordered the Telmex spin-off from AMX, Telmex would be required to grant competitors access to its infrastructure at pricing set by the IFT. AMX said the approved plan is substantially different from the spin-off plan presented by AMX

EM CORPORATE HIGHLIGHTS 2Q'18

Venezuela

- Presidential elections confirmed for May 20th
- Oil production continues to decline: 1.548 kbpd in Feb-18 vs 1.647 kbpd Dec-17 and 1.916 kbpd in 2017
- Simon Zerpa, sanctioned by the Trump administration, was replaced as PDVSA's VP of Finance. With the change, there are no current sanctioned directors in PDVSA
- Rosneft confirmed PDVSA was meeting its debt service, including the US$1.5 bn loan backed by 49.9% of CITGO
- US Secretary of State said to be analyzing the extensions of sanctions to crude imports from Venezuela and refined product exports to Venezuela before the presidential elections

Asia

- Anbang Insurance Group was seized by the Chinese government in late February 2018, following accusations its founder and chairman, Wu Xiaohui, embezzled US$10 bn from investors. Mr. Wu was detained by the Chinese government in June of 2017
- CEFC China Energy Co. planning to sell its entire global portfolio, with a combined book value estimated around US$3.0 bn+. The planned sale follows the delay of ~US$13.5 mm in loan payments, originally due in March to May 15th 2018. In a press release, the company attributed the delay to cash shortages
- With no standstill agreement in place, and unable to service its debt, Noble Group Limited defaulted on its 18s on March 20th 2018. The default, in combination with shareholder/supplier lawsuits and bond sell-off, were negative price drivers at the close of 1Q18
- However, Noble Group Limited continues to move towards a restructuring agreement, achieving 65% of creditor support thus far for the proposed refinancing of its US$3.5 bn in debt into US$2.6 bn in new securities. The proposal includes the option for bondholders to participate in a US$700 mm of new secured trade facility
- Kim Jong-Un leaves North Korea for the first time since assuming leadership in 2011, traveling by train to Beijing to meet with Chinese leader, Xi Jinping. The North Korean dictator's return home was marked by a 2-hour performance from South Korean K-pop group Red Velvet, in the North Korean capital of Pyongyang

EM CORPORATE HIGHLIGHTS 2Q'18

Russia

- On March 2018, Mr. Putin, who has been at the helm of Russia since 1999 as either president or prime minister, received more than 76% of the vote for a full six-year term (until 2024) – according to official results. This would make his tenure, including his years as PM, the longest by a Russian leader since Joseph Stalin
- 23 European countries, the US, Canada and Australia supported the announced UK expulsion of Russian diplomats amid a falling out over a former spy, Mr. Skripal, who was poisoned with a nerve agent on British soil in March. Mr. Skripal and his daughter, Yulia, remain in critical condition. Russia denies involvement
- As of March 29th, 2018, Russian international reserves reached US$457.8 bn (+0.5% w/w) and are expected to reach US$500 bn, according to Ms. Elvira Nabiullina, Governor of the Central Bank of Russia (CBR). Conditions of the Russian economy have improved from a few years back: inflation, which peaked at ~17%, is down to below 4% and expected to remain low; the economy grew a modest 1.5% in 2017 and is expected to gain over 2% in 2018

Kazakhstan

- Kazakhstan recorded a 7.1% inflation rate in 2017. The National Bank of Kazakhstan (NBK) target range by end-2018 is between 5 – 7%. On March 2018, the NBK cut its key refinancing rate by 25 bps to 9.5%, following a 50bps cut in January 2018. The NBK said that its inflation expectations had fallen to 6.6% in January 2018 from 7.7% in November 2017 and expects disinflationary trends to continue in 2018 – 19. Regarding the local currency, tenge (KZT), the NBK views it as undervalued with potential for strengthening
- In January 2018, Kazakhstan's president Nursultan Nazarbayev, 77, made an official visit to the US. Kazakhstan holds the rotating presidency on the UN Security Council in 2018 as a non-permanent member

Ukraine

- At this time, before delivering the next tranche to Ukraine, the International Monetary Fund (IMF) waits resolution on the issues of the creation of an anti-corruption court and the resolution of natural gas price regulation. So far, Ukraine has received US$8.4 bn from the IMF. The current IMF program expires in March 2019. Ukrainian presidential and parliamentary elections are stated to take place no later than 2019

EM CORPORATE HIGHLIGHTS 2Q'18

Ukraine (continued)

- As of March 1st, 2018, Ukrainian international reserves reached US$18.4 bn. The National Bank of Ukraine (NBU) expects to have US$20.5 bn in international reserves by the end of 2018. In 2017, the Ukrainian GDP growth was 2.3%, surpassing even the most optimistic expectations. NBU's latest GDP growth forecast for 2018 is 3.4% y/y
- In March 2018, the NBU announced the new deadline (June 30th, 2018) for the country's banks and financial institutions to avoid penalties on financial instruments reporting violations, if their noncompliance was caused by reassessments of their derivatives and other financial instruments under IFRS 9, effective on January 1st, 2018
- Ukrainian poultry producer, MHP, is offering a US$93.6 mm (EUR 76 mm) bid for the struggling French Group Doux SA. If approved by the liquidator, MHP plans to shift Doux's focus away from the Middle East, where it faces high competitive pressure from Brazil, to France and the EU markets

Turkey

- Moody's downgraded Turkish debt by one notch to Ba2 from Ba1, with a stable outlook
- Turkey's lira hit a record low of more than 4.0 to the dollar overnight since November as investor fear a global trade war
- Turkey's unemployment rate reached 10.9% in 2017
- Turkish Central Bank raised 2018 inflation forecast. CPI will fluctuate between 6.5% and 9.3% through end of 2018
- World Bank Group: Turkey's economic growth projection for 2017 was revised up to 6.7% from 4.0%. The 2018 projection was moderated to around 3.5%, as the impact of the 2017 fiscal measures fade
- Turkish banking sector net profit hit an all-time high US$13 bn in 2017, a 30% y/y increase
- Halkbank said has not been a party to Iran case in US as judicial process resumes
- Fitch placed Halk on rating watch negative, affirmed BB
- Petkim Petrokimya, Turkey's largest petrochemical producer, placed a debut issuance of a US$500 mm five-year senior unsecured offering rated B1/B
- Albaraka Turk issued the first ever additional AT1 capital bond from Turkey - US$205 mm perpetual non-call five sukuk at 10% to a select investor base in the Middle East
- The Capital Markets Board (CMB) has found a criminal complaint against 11 people, including former Bank Asya executives, because of the reduction of Bank Asya's assets

OVERVIEW
PRIMARY MARKET 1Q'18

Total New Issue Volume: US$47bn vs. US$45bn 1Q17
# of deals: 43 vs. 54 deals

	2018	%Δ	2017
IG	$17,665	3%	$17,194
HY	$29,362	7%	$27,436
Total	**$47,027**	**5%**	**$44,630**
# deals	43	(20%)	54

	2018	%Δ	2017
USD	$41,877	15%	$36,471
EUR	$3,824	(41%)	$6,470
Other	$1,326	(21%)	$1,689

Type	2018		%Δ	2017	
Corps	$9,653	21%	(14%)	$11,268	25%
Financial	$4,419	9%	306%	$1,089	2%
Quasi	$7,829	17%	(34%)	$11,910	27%
Sov	$23,839	51%	25%	$19,054	43%
Supra	$1,288	3%	(2%)	$1,309	3%

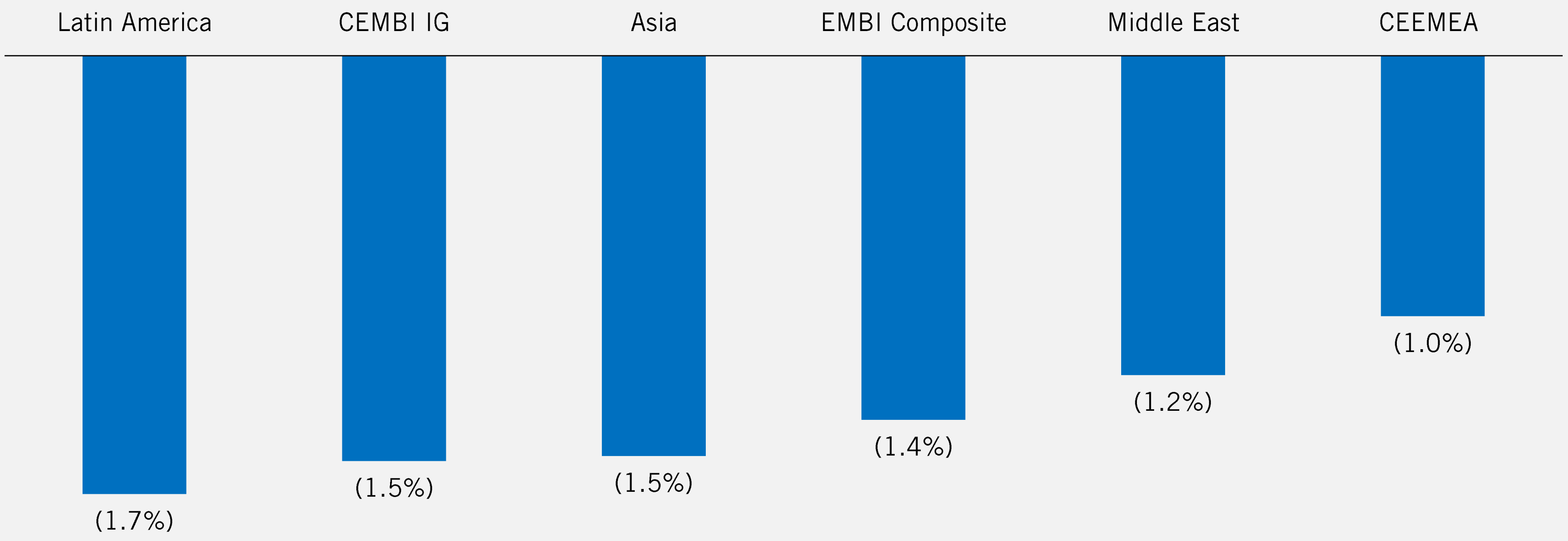
Country	2018		%Δ	2017	
Argentina	$10,363	22%	(23%)	$13,428	30%
Brazil	$10,800	23%	9%	$9,950	22%
Chile	$3,557	8%	224%	$1,099	2%
Colombia	$75	0%	(98%)	$3,010	7%
Mexico	$13,510	29%	52%	$8,910	20%
Peru	$1,775	4%	193%	$606	1%
Other	$6,947	15%	(9%)	$7,627	17%

LatAm country top volume:

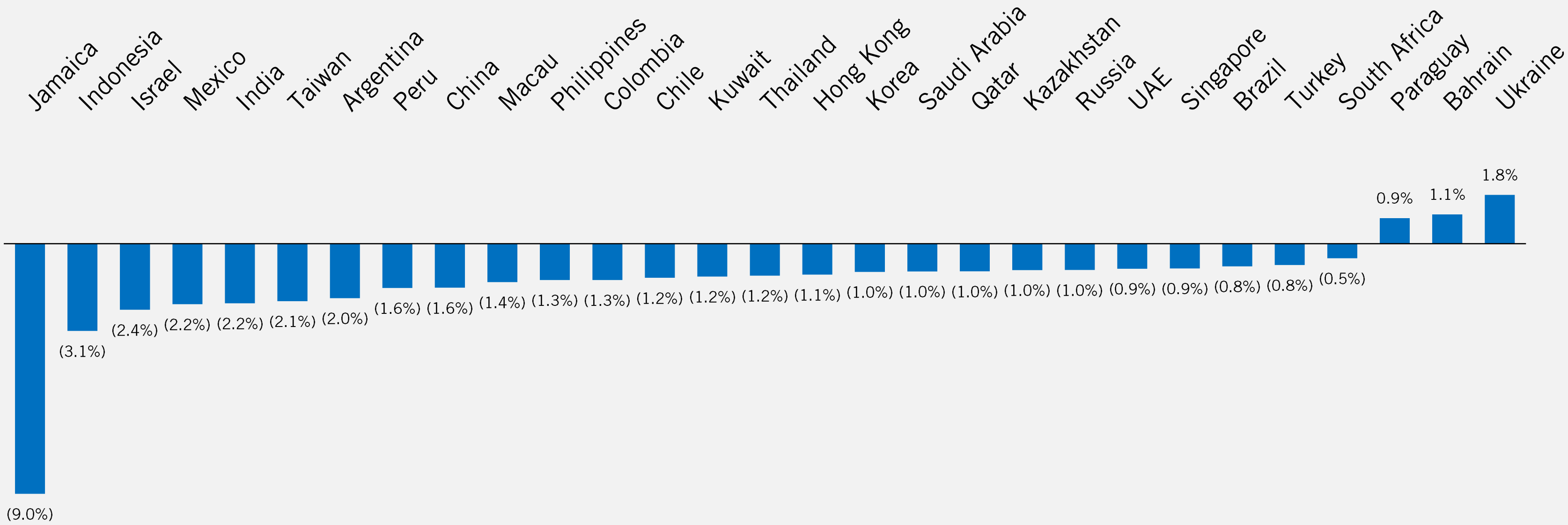
- Argentina decreased to $10bn (22%), versus $13bn (30%), down 23% y/y
- Brazil increased to $11bn (23%), versus $10bn (22%), up 9% y/y
- Chile increased to $4bn (8%), versus $1bn (2%), up 224% y/y
- Colombia decreased to $75mm (0%), versus $3bn (7%), down 98% y/y
- Mexico increased to $14bn (29%), versus $9bn (20%), up 52% y/y
- Peru increased to $2bn (4%), versus $600mm (1%), up 193% y/y
- Others country decreased to $7bn (15%), versus $8bn (17%), down 9% y/y

Source: Bloomberg

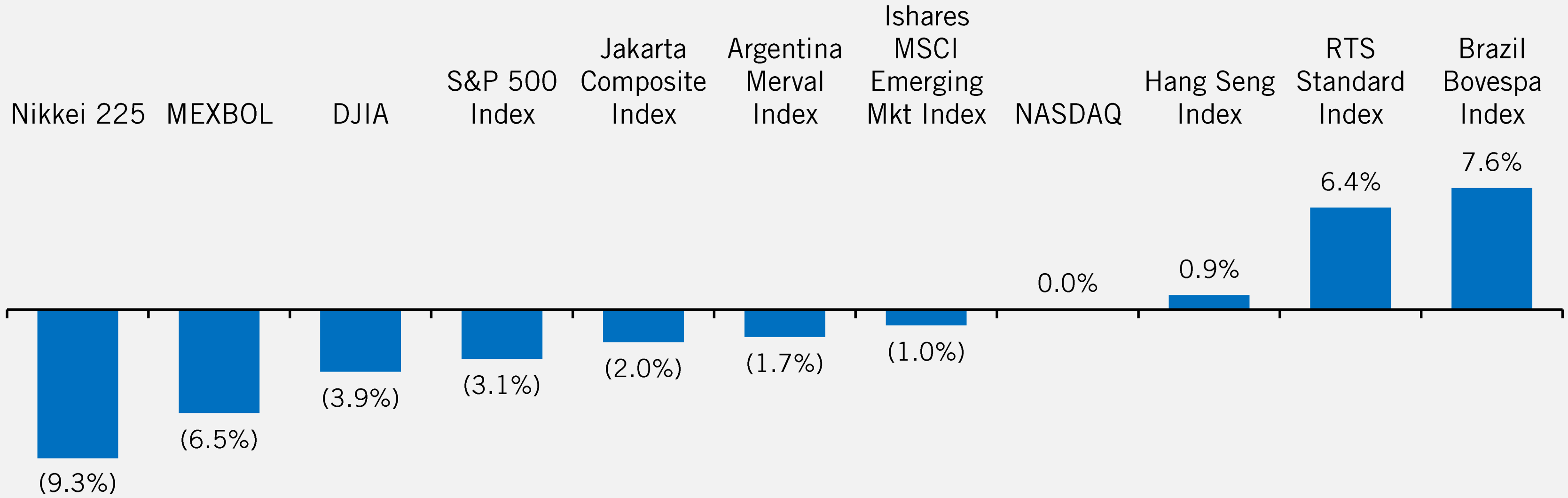
OVERVIEW
EMBI INDEX RETURNS 1Q'18
EMBI BROAD COMPOSITE INDEX REVIEW



OVERVIEW
CEMBI INDEX RETURNS
BY COUNTRY 1Q'18



OVERVIEW
GLOBAL EQUITY INDEX
RETURNS 1Q'18

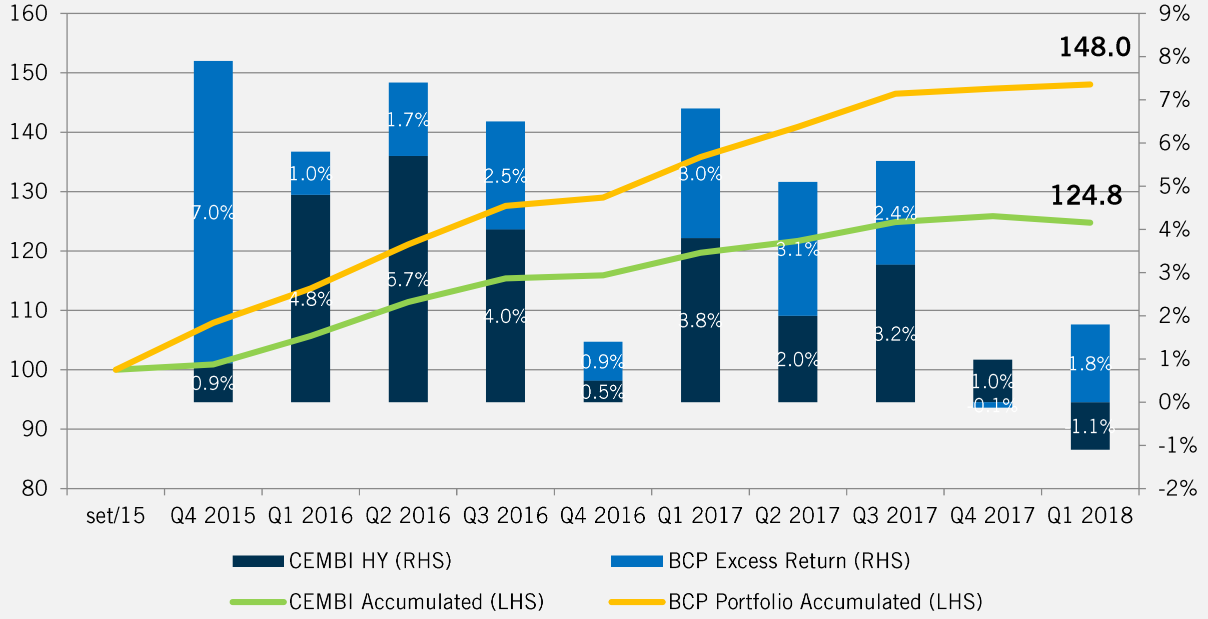


1Q'18 TOP PICKS
PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated positive excess return of 183 bps vs. our CEMBI HY benchmark which decreased 1.1% over the period. Outperforms appreciated 265 bps more than the benchmark while Underperforms declined 65 bps less than the benchmark.
- Our top performers were ANTOIL 20s and ECELUP 21s, with an excess return of 6.0% and 5.9% respectively
- TPZMAR 22s, AJECBV 22s and DTEKUA 24s were also highlights among outperforms, generating 4.4% excess performance each.
- Portfolio performance was most negatively impacted by ECUA 27s and YASARH, which generated a negative return of 3.2% and 2.4%, respectively.
- Over the past ten quarters, BCP Top Picks have generated compounded excess return of 23.3% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH APRIL 2nd 2018



BCP Top Picks/ 04/02/2018

1Q'18 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 =**	**1.7%**	**2.7%**
CHACO 24	PROVINCIA DEL CHACO	Regional(state/provnc)	Argentina	USD	01/03/18	04/02/18	89	106.0	100.00	9.38%	(5.7%)	(3.4%)	(2.2%)
ECELUP 21	ELDORADO INTL FIN GMBH	Forest Products&Paper	Brazil	USD	01/03/18	04/02/18	89	103.8	106.50	8.63%	2.7%	4.8%	5.9%
CMIGBZ 24	CEMIG GERACAO E TRANSM	Electric	Brazil	USD	01/03/18	04/02/18	89	108.4	107.25	9.25%	(1.0%)	1.2%	2.4%
TPZMAR 22	TOPAZ MARINE SA	Transportation	UAE	USD	01/03/18	04/02/18	89	103.5	104.56	9.13%	1.0%	3.3%	4.4%
JAVER 21	SERVICIOS CORP JAVER SAP	Home Builders	Mexico	USD	01/03/18	04/02/18	89	103.3	102.41	9.88%	(0.8%)	1.6%	2.8%
AJECBV 22	AJECORP BV	Beverages	Peru	USD	01/03/18	04/02/18	89	89.3	90.75	6.50%	1.7%	3.3%	4.4%
DTEKUA 24	DTEK FINANCE PLC	Coal	Ukraine	USD	01/03/18	04/02/18	89	106.9	107.63	10.75%	0.6%	3.3%	4.4%
ANTOIL 20	ANTON OILFIELD SERV GRP/	Oil&Gas Services	China	USD	01/03/18	04/02/18	89	102.1	104.63	9.75%	2.4%	4.9%	6.0%
CSNABZ 20	CSN RESOURCES SA	Iron/Steel	Brazil	USD	02/08/18	04/02/18	53	96.5	97.25	6.50%	0.8%	1.7%	2.4%
ECUA 27	REPUBLIC OF ECUADOR	Sovereign	Ecuador	USD	02/05/18	04/02/18	56	108.3	102.25	8.88%	(5.5%)	(4.2%)	(3.2%)
JBSSBZ 24	JBS INVESTMENTS GMBH	Food	Brazil	USD	02/12/18	04/02/18	49	99.0	99.50	7.25%	0.5%	1.5%	1.7%
FUEGO 27	PROV OF TIERRA DEL FUEGO	Municipal	Argentina	USD	02/21/18	04/02/18	40	105.1	106.44	8.95%	1.3%	2.3%	2.7%
UNDERPERFORM											**Average Return =**	**0.5%**	**(0.7%)**
AESGEN 25	AES GENER SA	Electric	Chile	USD	01/03/18	04/02/18	89	102.5	100.50	5.00%	2.0%	0.7%	(0.4%)
CENSUD 23	CENCOSUD SA	Food	Chile	USD	01/03/18	04/02/18	89	105.0	103.31	4.88%	1.6%	0.4%	(0.7%)
MRFGBZ 23	MARFRIG HOLDING EUROPE B	Food	Brazil	USD	01/03/18	04/02/18	89	104.8	100.50	8.00%	4.1%	2.1%	0.9%
YASARH 20	YASAR HOLDING	Food	Turkey	USD	01/03/18	04/02/18	89	102.5	101.50	8.88%	1.0%	(1.2%)	(2.4%)
											Total Average Return =	**1.4%**	**1.8%**

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	01/03/18	04/02/18	89	429.3	424.3	(1.1%)

Source: Bloomberg as of 04/02/2018

2Q'18 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	Minimum Denomination	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform											
CHUBUT 26	BONO GAR PROV DEL CHUBUT	Regional(state/provnc)	Argentina	USD	$650	$150,000	B2/ -/ B	7.75%	07/26/2026	8.22%	97.19
ODEBRE 21	ODEBRECHT DRILL VIII/IX	Oil&Gas	Brazil	USD	$393	$1	-/ B-/ -	6.35%	12/01/2021	7.54%	98.00
ANTOIL 20	ANTON OILFIELD SERV GRP/	Oil&Gas Services	China	USD	$300	$200,000	B3/ -/ B-	9.75%	12/05/2020	7.73%	104.75
ECUA 27	REPUBLIC OF ECUADOR	Sovereign	Ecuador	USD	$2,500	$200,000	-/ B-/ B	8.88%	10/23/2027	8.68%	101.25
TZA 24	TV AZTECA SA DE CV	Media	Mexico	USD	$400	$200,000	-/ -/ B+	8.25%	08/09/2024	7.57%	103.38
AJECBV 22	AJECORP BV	Beverages	Peru	USD	$450	$150,000	-/ B/ B-	6.50%	05/14/2022	9.33%	90.50
JBSSBZ 24	JBS INVESTMENTS GMBH	Food	Brazil	USD	$750	$200,000	-/ B/ BB-	7.25%	04/03/2024	7.41%	99.25
DARALA 23	DAR AL-ARKAN SUKUK CO LT	Real Estate	Saudi Arabia	USD	$500	$200,000	B1/ -/ -	6.88%	03/21/2023	7.09%	99.13
METINV 26	METINVEST BV	Iron/Steel	Ukraine	USD	$500	$200,000	-/ -/ B	8.63%	04/23/2026	8.63%	100.00
TPZMAR 22	TOPAZ MARINE SA	Transportation	UAE	USD	$375	$200,000	B3/ B-/ -	9.13%	07/26/2022	7.85%	104.56
GJTLIJ 22	GAJAH TUNGGAL TBK PT	Auto Parts&Equipment	Indonesia	USD	$250	$200,000	B2/ B-/ -	8.38%	08/10/2022	9.11%	97.38
GOLLBZ PERPs	GOL FINANCE	Airlines	Brazil	USD	$154	$100,000	B3/ -/ B	8.75%	PERP	9.03%	96.88
Underperform											
ARCOR 23	ARCOR SAIC	Food	Argentina	USD	$500	$1,000	Ba3/ -/ BB-	6.00%	07/06/2023	5.15%	103.88
MRFGBZ 23	MARFRIG HOLDING EUROPE B	Food	Brazil	USD	$1,000	$200,000	B2/ B+/ BB-	8.00%	06/08/2023	7.73%	101.13
AESGEN 25	AES GENER SA	Electric	Chile	USD	$172	$200,000	Baa3/ BBB-/ BBB-	5.00%	07/14/2025	4.92%	100.50
CENSUD 23	CENCOSUD SA	Food	Chile	USD	$943	$200,000	Baa3/ -/ BBB-	4.88%	01/20/2023	4.10%	103.31
ALPEKA 23	ALPEK SA DE CV	Chemicals	Mexico	USD	$300	$200,000	Baa3/ BBB-/ BBB-	5.38%	08/08/2023	4.64%	103.38

Source: Bloomberg as of 04/04/2018

MARKET OUTPERFORM

ARGENTINA
CHUBUT 7.75% 26s

BRAZIL
GOLLBZ 8.75% PERPs
JBSSBZ 7.25% 24s
ODEBRE 6.35% 21s

CHINA
ANTOIL 9.75% 20s

ECUADOR
ECUA 9.625% 27s

INDONESIA
GJTLIJ 8.375% 22s

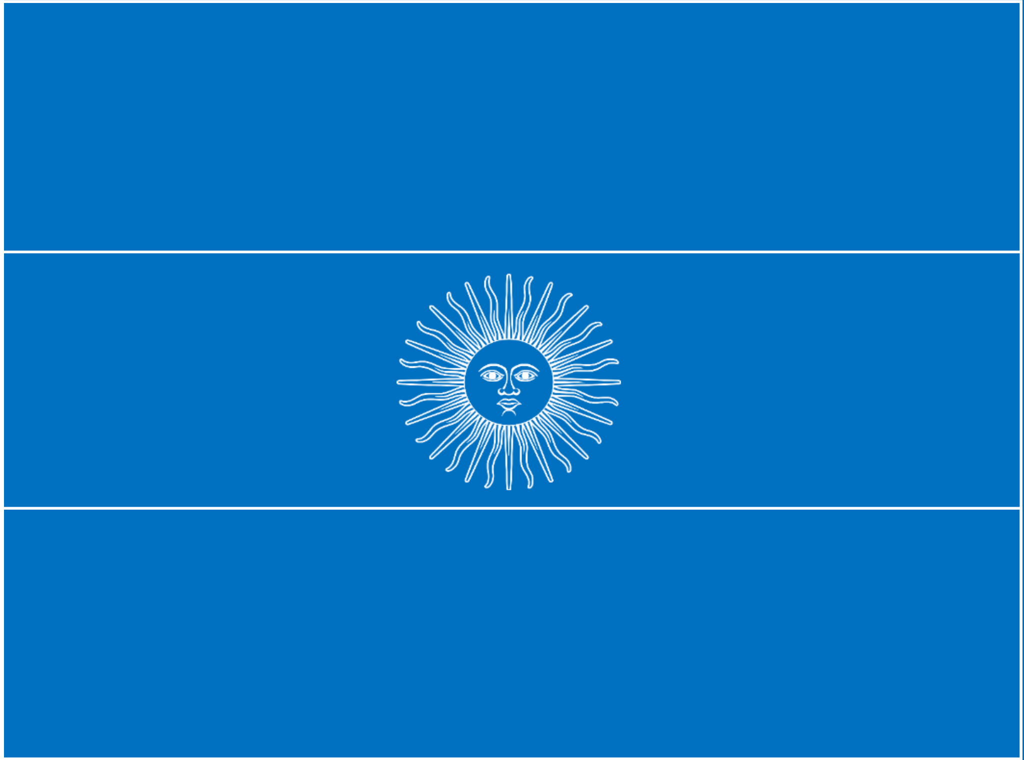
MEXICO
TZA 8.25% 24s

PERU
AJECBV 6.5% 22s

SAUDI ARABIA
DARALA 6.88% 23s

UKRAINE
METINV 8.625% 26s

UNITED ARAB EMIRATES
TPZMAR 9.125% 22s



ARGENTINA

MARKET OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

The Province of Chubut is situated in the Patagonia region, with a population of nearly 510 thousand people and a poverty rate of 20.5% in its main urban areas according to INDEC at Jun-17. The province is the highest oil and third largest gas producer, with a total production of 140kbpd and 59kbpd in 2017, with reserves of nearly 1,027mmbll of oil and 203mmboe of gas as of Dec-16.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CHUBUT 7.750% 07/26/2026	$650	B2/-/B	97.19	8.22%

PROS:

- Largest oil producer and third largest gas producer
- Notes backed by oil & gas royalties collections
- Sound covenants structure – under a trigger event (coverage below 1.35x, trustee has the mandate to retain all royalties collected in reserves account)
- Recent increase in crude prices favors royalties and helped revert production decline in the last months. Under current production and Brent at US$60 we estimate coverage of 1.7x when principal starts amortizing in Oct-20
- National government has proven its support to provinces with the recent AR$750mm direct assistance given to Chubut
- Though not an official ally of national government, Chubut's governors have been collaborative with Macri administration, including recent efforts to approve the fiscal pact signed in Dec-17.

CONS:

- Oil royalties subject to international price volatility
- Exposed to Pan American Energy performance and production levels
- Decreasing production, particularly oil (down 8% in 2017 and 5% in 2016), although Pan American production decrease in Chubut has been softer (2% in 2017 and 4% in 2016)
- Additionally, crude extracted is heavy-oil, sold at a discount to Neuquen's lighter crude
- Deteriorated fiscal situation. National government had to step-in recently, providing a direct financial assistance. 9M17 fiscal deficit estimated at 5% of the Province's GDP (3% budgeted for 2018)
- Historical conflicts with oil Unions
- Government has legislative minority and had difficulties in passing laws
- Maintains its own social security administration, which has a deficit

MARKET OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

STRUCTURE OF THE NOTES

- Direct, general, unconditional and unsubordinated obligation of the Province of Chubut
- US$650MM issued and outstanding, with quarterly interest payments and quarterly principal payments starting Oct-20
- Chubut agreed to irrevocably and unconditionally transfer to the Collateral Agent (Deutsche Bank) its right to collect the “Specified Royalties”
- “Specified Royalties” means the royalties payable by Pan American Energy (PAE) to the Province of Chubut, less any such Pan American Royalties assigned in support of the 2020 Notes. Once the 2020 Notes mature, all Royalties payable for the Dedicated Concessions will serve as collateral for the 26s
- Accordingly, **PAE makes royalties payments directly to the Collateral Account**
- Royalties are 12% of wellhead price, plus 3% up to 18% for each extension granted. PAE’s concessions mature in 2027.
- Royalties are tied to USD prices but payable in ARS
- Debt reserve account is considered fully funded if it covers next quarterly debt service. Failure to be fully funded for 180 days constitutes and event of default

COVENANTS

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

MARKET
OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

OIL & GAS ACTIVITY IN CHUBUT

Chubut is the largest oil and third largest gas producer, with nearly 30% and 8% of national production, respectively. PAN American Energy is its main concessionaire, with more than half of its oil and almost its entire gas production, with concessions until 2027, which can be renewed to 2047. All O&G is extracted from the San Jorge basin and near 90% of royalties derive from oil sales.

Production in Chubut	2017	2016	y/y	Jan-18	Dec-17	m/m	Nov-17
Oil (kbpd)	140	152	(8%)	145	147	(1%)	142
PAE	85	86	(2%)	87	88	(1%)	84
YPF	31	36	(13%)	34	34	0%	33
CGC	11	12	(4%)	12	12	0%	11
Tecpetrol	8	11	(29%)	8	8	0%	8
Gas (kboepd)	59	61	(3%)	61	62	(2%)	58
PAE	52	53	(2%)	53	54	(2%)	50
YPF	5	5	(9%)	5	5	0%	5

Some recent thoughts about the industry in Chubut…

- Oil production in the province decreased in 2017 8% y/y (vs national drop of 6%) driven by mature fields, and high extraction cost due to high water content and local inflation.
- However, in Jan-18, production drop eased (down 1% vs Dec-17), while it expanded in Dec-17 vs Nov-17
- Additionally, during 2017 Pan American Energy, who acts as concessionaire of the specified royalties covering the bond, production only declined 2% y/y

MARKET OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

Estimated coverage amount until principal starts amortization is around **5.4x** while when principal begins amortization coverage decreases to **1.7x**.

'US$000	Apr-18	Jul-18	Oct-18	Jan-19	Apr-19	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21
Interest payment	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,069
Principal payment	-	-	-	-	-	-	-	-	-	-	27,084	27,084
Total debt service	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	12,594	39,677	39,152
Estimated royalties	60,173	60,274	60,375	60,476	60,576	60,677	60,778	60,879	60,980	61,081	66,390	66,390
Debt Service Coverage	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.9	1.7	1.7

'US$000	Apr-21	Jul-21	Oct-21	Jan-22	Apr-22	Jul-22	Oct-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24
Interest payment	11,544	11,019	10,495	9,970	9,445	8,920	8,395	7,871	7,346	6,821	6,297	5,772
Principal payment	27,084	27,084	27,084	27,084	27,084	27,084	27,084	27,084	27,084	27,084	27,084	27,084
Total debt service	38,627	38,102	37,578	37,053	36,528	36,003	35,479	34,954	34,429	33,904	33,380	32,855
Estimated royalties (*)	66,390	66,390	66,390	66,390	66,390	66,390	66,390	66,390	66,390	66,390	66,390	66,390
Debt Service Coverage	1.7	1.7	1.8	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0

(*) Estimated royalties payable by PAE to Chubut, after servicing 20s notes at current production, Brent at US$60 and gas prices at US$5/MMBTU

SENSITIVITY SCENARIO

Coverage in Oct-2020		Brent Price			
		50	55	60	65
Annual Production drop	0%	1.4x	1.6x	1.7x	1.8x
	5%	1.3x	1.5x	1.6x	1.7x
	7%	1.2x	1.4x	1.5x	1.6x
	10%	1.1x	1.3x	1.4x	1.5x

MARKET
OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

CHUBUT vs OIL & GAS BACKED PROVINCES AND YPF

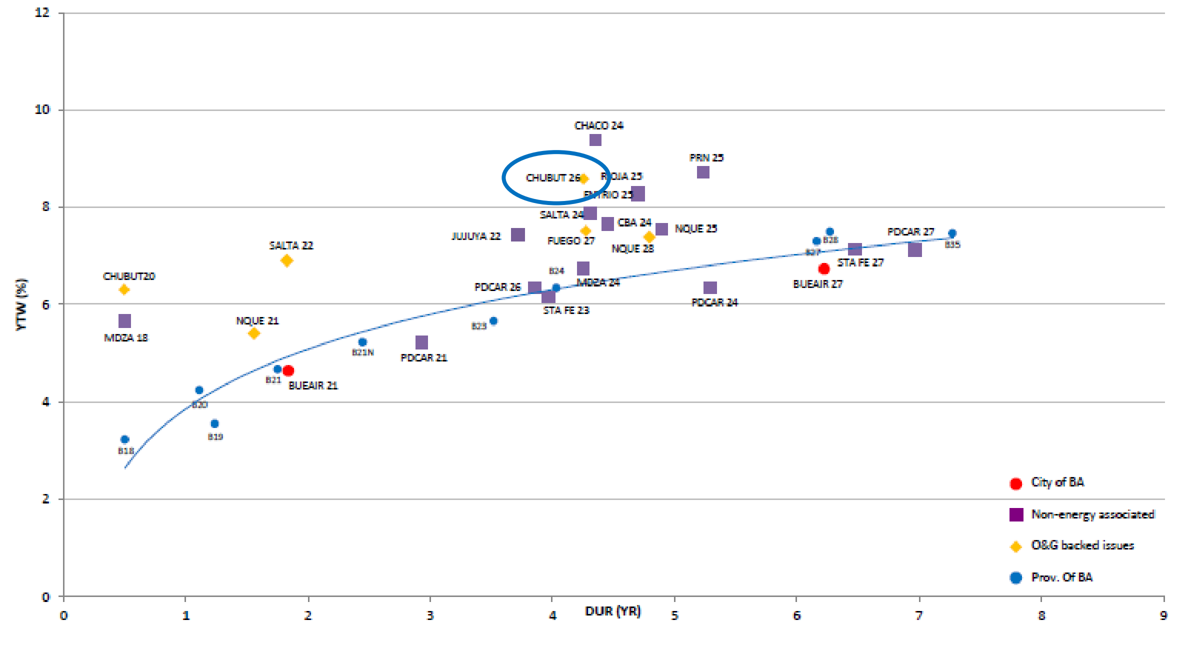
	Chubut 26	Fuego 27	Neuquen 28	YPF 24
YTC	8.60%	7.63%	7.49%	6.26%
Duration	4.4	4.3	4.8	4.2
Sov inter. Yield	5.60%	5.55%	5.80%	5.50%
Spread to sov (bps)	300	208	169	76

Source: BBG as of 3/23/2018

MARKET
OUTPERFORM (ARGENTINA):

CHUBUT 7.750% 26s

Argentine Provinces USD curve



Source: BBG as of 4/2/2018

BRAZIL

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 8.75% PERPs

Gol is a Brazilian low cost airline, with the highest market share in the country (36%). The company posted strong 4Q17 results, backed by cash flow generation and improving leverage (3.8x LQA and 4.6x in 2017). Load factor for 2017 reached an impressive 80%, and yields continued to increase. The company placed new notes in 4Q17 and completed a re-tap in January 2018

As the industry made a complete recovery to profitability levels of 2014, we continue to think the next leg is a top line story with Brazil coming out of recession. The comeback kid with a monotype fleet perpetual trading at 9% is one of the best values in the zip code.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
GOLLBZ 8.75% PERP	154	B3/-/B	96.88	9.03%

PROS:

- Stronger BRL and lower crude
- Current leverage levels in line with peers – and spreads have room to tighten
- Run rate 4Q18 leverage target 2.5x
- 23% EBITDAR margin in 2017
- FCF generation in 2017, after a long period of cash burn
- Main assets (planes) are valued in USD in the international market place
- 12% fuel hedged for 2019
- 36% market share in Brazil
- 3-4% yield premium on second largest Brazilian airline
- Throughout the year, the company was upgraded by Moody's, S&P and Fitch

CONS:

- Exposure to Brazilian market (~80% of Gol's revenue)
- Highly exposed to BRL. Minimal USD revenue

	LATAM	Gol	Azul	Avianca
% of fuel exposure hedged NTM	32%	12%	21% (2Q17)	10%
hedging bonds (principal)	no	no	yes	no
hedging bonds (coupons)	no	no	yes	no
foreign currency options			US$ 544mm	
% revenue in USD	52%	11%	15%	76%
% expenses in USD	56%	47%	53%	78%
% debt in USD	71%	83%	35%	93%

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 8.75% PERPs

GOL								
(US$ MM)	LTM	4Q17	3Q17	4Q16	4Q15	4Q14	q/q	y/y
Revenue	$3,313	$917	$860	$810	$689	$1,071	7%	13%
EBITDAR	$763	$234	$218	$134	$103	$189	7%	74%
Cash interest	$166	$28	$59	$14	$18	$50	(52%)	107%
Cash lease	$74	$11	$26	$22	$30	$23	(59%)	(52%)
Capex	$96	($57)	$62	$69	$8	$43		
Tax Paid	$69	$21	$6	$116	$13	$13	254%	(82%)
Aircraft rents	$295	$70	$73	$37	$98	$85	(4%)	91%
FCF[1]	$62	$160	($8)	($124)	($64)	($26)		
RASK cents		$7.5	$7.2	$6.9	$5.5	$7.8	5%	9%
CASK cents		$6.5	$6.3	$6.4	$5.7	$7.3	4%	3%
Adjusted Gross Debt[2]	$4,210	$4,210	$3,698	$3,941	$4,667	$4,864	14%	7%
LQA Net Leverage	4.6x	3.8x	3.8x	6.7x	9.9x	5.3x		

(US$ MM)	4Q17
Corporate Debt - BRL	$313
Corporate Debt - USD	$1,835
LTM Aircraft Rent x 7 years	$2,062
Adjusted Gross Debt[2]	$4,210
Cash[3]	$680
Adjusted Net Debt	$3,530

(1) Before working capital
(2) Corporate debt + aircraft rent (x7) + operating leases
(3) Cash and equivalents + financial applications + cash held as maintenance / guarantees (excluding Venezuela)

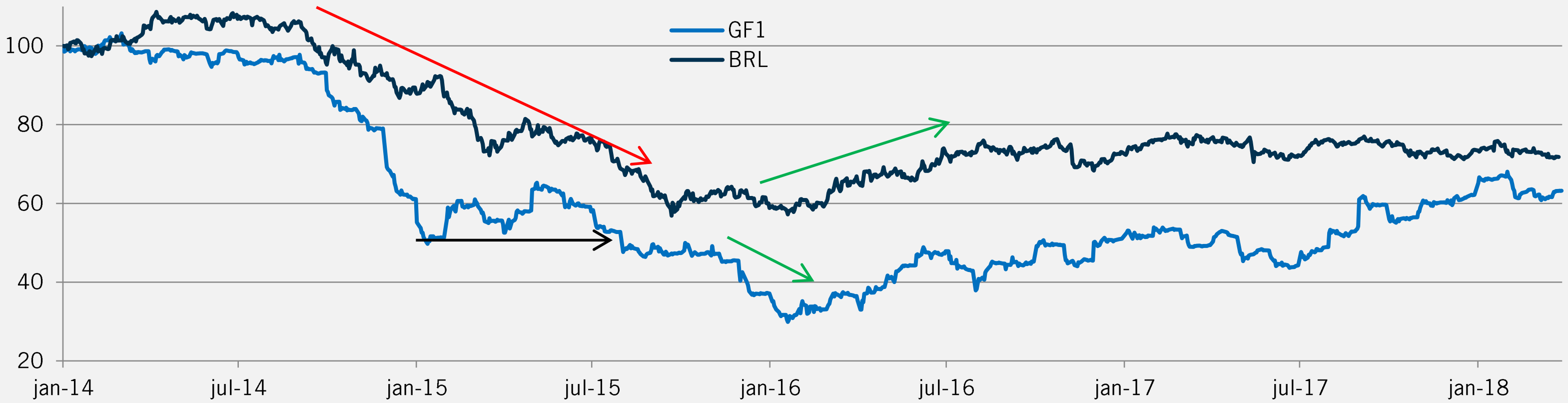
Recent 4Q17 Earnings:

- 4Q17 revenue totaled US$917mm (R$3bn), 13% higher y/y in USD-, on the back of demand rebound and improved pricing
- Yields rose impressively again, +6% q/q and +3% y/y and load factor reached 81% in the quarter, up from 77.6% in 4Q16
- 4Q17 EBITDAR jumped 75% growth y/y in USD-terms, to US$234mm (R$759mm)
- RASK and CASK increased in the quarter, by 5% and 4% sequentially, to US$7.5 cents and US$6.5 cents
- Cash flow was positive, even pro forma for Gol's reported capex, although apparently asset sales contributed to make cash flow strongly positive
    - In recent history (last four years), Gol was only able to generate cash before WK due to postponement of aircraft deliveries and consequent return of cash deposits or tax reversals
    - In 4Q17, if Gol had normal capex, reported at R$358 mm, it would be close to FCF breakeven
- Adjusted gross debt grew by 14% q/q, as Gol increased its dollar denominated indebtedness

- In 4Q17, Gol issued US$500mm in 2025 senior notes with a 7% coupon and partially acquired its 9.5% 2020s and 8.875% 2022 through tender offers
- Subsequent to quarter closing: in January 2018, Gol did a US$150mm re-tap of its 2025 bonds
- Net leverage had further improvements, marginally lower q/q at 3.8x and reaching 4.6x in the year
    - Management has a target for 2.5x run rate net leverage by year end 2018
- Throughout the year, the company was upgraded by Moody's, S&P and Fitch

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 8.75% PERPs



US shale production +13% y/y

Brazil GDP -3.8% y/y

2.2 mb/d oil oversupply

Dilma impeached

OPEC agrees to curb oil production

Brazil GDP +1% y/y

- Fuel/ currencies relationship walked hand in hand throughout 2014 but spread opened in 2015 (when Gol was burning US$300mm cash and 10x leveraged)
- After 2Q16, relationship appeared to have turned favorable, and stabilizing
- Gap seems to be closing – especially for BRL (now companies are FCF positive and less than 5x leveraged)

- EBITDAR decreases with depreciated currency due to fuel expense in USD
- EBITDAR correlations: **Gol and BRL: 61%;** Latam and CLP: 48%; Avianca and COP: 20%

Numbers start at index 100 in Jan/14

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

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, which, in May 2017, admitted having paid over R$1bn in bribes to politicians, while accessing over R$8bn in government financing. R$10.3bn (PV) leniency agreement with the Prosecutors Office (MPF) is to be paid in 25 years. The Batista brothers have been stripped of immunity but are currently out of jail and the agreement remains in place with respect to impact on the issuers.

While financing arrangements appear restrictive, we think value can be shared between USA and JBS SA without breaching covenants. In addition, news indicate that JBS, is negotiating a three year extension for its ST bank debt and ODBR is said to have had positive outcome in a leniency agreement with the remaining federal institutions: previous fines levied by the MPF would offset new ones. We think investor concerns have been centered on these two issues for JBS and we have taken the view that both are manageable. JBS spreads have room to tighten and therefore, we reiterate JBSSBZ 7.25% 24s as 'Outperform'.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
JBSSBZ 7.25% 04/03/2024	750	-/B-BB-	99.25	7.41%

CONS:

- Known for FX hedging, JBS is still under investigation by local authorities, for shareholder malfeasance
- JBS SA needs to deal with R$14bn short-term debt by July 2018
- Prospects for beef margin erosion in Brazil due to increased capacity
- JBS USA may not fare well under increasing scrutiny
    - Price fixing lawsuits at PPC – an alleged industry practice accusers say began in the same timeframe JBS acquired Pilgrims Pride
    - Self-dealing with J&F direct subsidiary (J&F Oklahoma) for cattle supply
    - DoJ investigations (at the very least FCPA) appear fertile ground to generate uncertainty

PROS:

- According to news, JBS is negotiating a three-year extension of its short-term bank debt
- ODBR is said to have had positive outcome in a leniency agreement with the remaining federal institutions: previous fines levied by the Federal Prosecutor (MPF) would offset new ones. While holdco (J&F) is solely responsible for leniency fines, nonetheless, the precedent is undeniably constructive for subsidiary JBS
- While there is a restricted payments limitation, it appears USA can freely lend on arms length terms as it has done in the past with Seara and reiterated by USA management during 4Q17 call
- Historically, we see evidence of substantial intercompany transfers from USA to JBS SA
- If JBS USA were to issue an additional US$3.5bn to help SA deal with short-term maturities, it could still maintain leverage under 4.5x
    - Subtracting market value of PPC, JBS USA net leverage stays below 2.0x
    - JBS SA leverage stays below the covenant with banks (3.5x) and below 3.0x assuming cash inflow is used to repay short-term debt
- Normalized US beef margins marginally affect JBS

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

HOLDCO LENIENCY

R$10.3bn fine vs. R$12.4bn sold (Alpagartas, Vigor, Eldorado)

BATTLING A PRESIDENT – ONE YEAR TIMELINE

MARCH 2017

Carne Fraca operation: accusations regarding payments to health inspectors to overlook meat safety procedures lead to a temporary embargo for Brazilian meat exports.

MAY 2017

Federal investigation raised fraud allegations related to obtaining loans from development bank BNDES. Executives signed plea deals with the Federal government in exchange for several secretly recorded conversations that include bribery allegations. Among the politicians involved, the Batista brothers mention president Michel Temer, former presidential candidate Aecio Neves and former presidents Dilma Rousseff and Lula.

J&F formally announced a leniency agreement with the Prosecutors Office at a PV of R$10.3bn (FV ~R$20bn) to be paid in 25 years. Holdco solely responsible for repayment.

JUNE 2017

Government seemed to be intervening with financing and creating new provisional measures to impact J&F and JBS, consequences from starting a direct confrontation with Temer.

JULY 2017

JBS rolled over most of its short-term indebtedness, validating lender confidence. Conclusion of JBS Mercosul sale for US$300mm, JBS Food Canada for US$40mm, and holdco sold its footwear and clothing line for R$3.5bn.

AUGUST 2017

JBS released strong 2Q17 results, boosted by its USA operations. JBS USA partially drew its RCF during 2Q. Some of JBS USA strong cash generation was lent to Seara.

SEPTEMBER 2017

PPC acquired Moy Park from JBS SA for US$1.3bn.

Batista brothers and former IR director face prison time after evidence surfaced showing that the executives obtained improper help as they negotiated their leniency agreements and allegedly manipulated the financial market.

J&F announced it signed an agreement to sell Eldorado for a total of R$15bn.

MARCH 2018

JBS Divestment Program completed with the sale of Five Rivers for US$200mm.

According to news, JBS is negotiating a three year extension, similar to the agreement achieved in July 2017 with local banks.

Local news indicate that ODBR reached an agreement with CGU (the Comptroller's Office), AGU (the Attorney General) and TCU (Court of Accounts), with no additional fines required, aside those indicated in the original agreement with MPF. Fines payable to the MPF would offset those levied by the other institutions.

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

JBS USA (R$ MM)	4Q17
LTM EBITDA	11,763
Total Funded Debt	32,675
Short Term	1,355
Long Term	31,320
Secured Debt	14,239
Cash	7,524
Gross Leverage	2.8
Net Leverage	2.1
Secured Leverage	1.2
RCF (undrawn)	1,052
Gross leverage ex PPC debt & EBITDA	3.2

JBS Non USA (R$ MM)	4Q17
LTM EBITDA	1,653
Total Funded Debt	24,350
Short Term	12,171
Long Term	12,178
Secured Debt	5,166
Cash	4,217
Gross Leverage	14.7
Net Leverage	12.2
Secured Leverage	3.1
RCF (undrawn)	-

JBS Consolidated (R$ MM)	4Q17
LTM EBITDA	13,416
Total Funded Debt	57,025
Short Term	13,526
Long Term	43,499
Secured Debt	19,406
Cash	11,741
Gross Leverage	4.3
Net Leverage	3.4
Secured Leverage	1.4
RCF (undrawn)	1,052

USA

- PPC has a substantial equity market value (US$4.8bn). Consolidation lowers JBS USA leverage
- JBS USA risks include:
  - 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

NON USA

- 93% short-term debt rolled to July 2018
  - According to news, JBS is negotiating a three-year extension, similar to the agreement achieved in July 2017 with local banks
  - We were expecting banks to extend their exposure and if requiring a reduction, JBS SA could extract value from JBS USA as needed
- R$12 bn in short-term debt at JBS non USA, half of total debt
  - R$10bn in export related lines, structurally senior
    - Parent only: R$3.7bn advances on exchange contracts and R$3.4bn export prepayments
  - R$4.2bn estimated cash and equivalents

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

JBS SA - Recent 4Q17 Earnings:

- 4Q17 revenue was up 11% y/y to US$9.8bn, mainly on the back of higher volumes
- 4Q17 adjusted EBITDA grew 7% y/y reaching US$824mm with a sequential reduction as margins throughout the industry were back to normalized levels
- FCF positive (before WK) of US$478mm, up 15% y/y, with a lower capex of 35% y/y
    - 2018 guidance: capex should be higher by 35% vs 2017 in the restricted group
    - Tax Bill is expected to bring US$350mm in FCF benefits
        - Management clarified that this was partially collected in 2017 as taxes paid were already below 35%
- Gross debt decreased by 2% q/q to US$9.6bn and cash position increased by 18% q/q
    - US$4.3bn secured and US$5.3bn unsecured
- Net leverage had a sequential increase from 1.8x in 3Q17 to 2.2x in 4Q17
    - 2018 expectations: below 3.0x leverage in JBS SA, not dependent on US IPO
- During JBS SA call, management also discussed potential higher labor costs in the US in the future, explaining that they have been doing adjustments for the last four years and believe to be in a comfortable situation, therefore they do see it as a challenge
- Subsequent to quarter closing, JBS USA issued US$900mm in 6.75% 2028s and used US$700mm to repay 2020s
    - According to management, the remaining US$200mm is for GCP, including the repayment of a portion of the outstanding amount under its senior secured revolving credit facility

JBS (US$ MM)	4Q17	BBG Consensus	+/-	3Q17	4Q16	q/q	y/y
Revenue	13,156	12,646	4%	13,020	12,639	1%	4%
Adj. EBITDA	985	1,062	(7%)	1,367	945	(28%)	4%

JBS (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	17,220	18,872	17,283	(9%)	(0%)
Cash	3,546	4,461	2,874	(21%)	23%
Net Debt	13,675	14,411	14,409	(5%)	(5%)
Leverage (Total Debt /LQA EBITDA)	4.37	3.45	4.57		
Net Leverage (Net Debt /LQA EBITDA)	3.47	2.64	3.81		

JBS (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Adj. EBITDA	985	1,367	945	(28%)	4%
- capex	241	219	318	10%	(24%)
- interest paid	343	259	337	32%	2%
- taxes paid	66	82	22	(20%)	199%
FCF before WK	**335**	**807**	**268**	(58%)	25%

MARKET
OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

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JBS USA (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Revenue	9,843	9,827	8,885	0%	11%
Adj. EBITDA	824	1,120	768	(26%)	7%

JBS USA (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	9,619	9,784	7,225	(2%)	33%
Cash	2,272	1,918	604	18%	276%
Net Debt	7,347	7,866	6,316	(7%)	11%
Leverage (Total Debt /LQA EBITDA)	2.92	2.18	2.35		
Net Leverage (Net Debt /LQA EBITDA)	2.23	1.76	2.16		

JBS USA (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Adj. EBITDA	824	1,120	768	(26%)	7%
- capex	141	130	217	9%	(35%)
- M&A	(0)	296	0		
- interest paid	151	103	118	47%	28%
- taxes paid	54	78	16	(30%)	245%
FCF before WK	**478**	**513**	**417**	(7%)	15%

MARKET OUTPERFORM (BRAZIL):

JBSSBZ 7.25% 24s

IN HOUSE TRANSACTIONS - CONSTANT SHIFTING VALUE

“There’s no limit to send cash to SA”

- JBS SA has an ability to extract money from USA through intercompany transfers
- Our interpretation is covenants ultimately cap transfers, but it appears JBS has a number of ways to work around them
- Recently, JBS USA partially drew its US$900mm RCF and sent money to JBS non USA through a new loan
- Per our calculations, until very recently, all recent FCF was generated by PPC, until USA beef margins jumped
- We think in a stress scenario, JBS USA will be seen as a source for value rather than an asset to protect against all odds

DIVIDENDS (US$ MM)		
2016	537	PPC paid US$700mm in ‘special cash dividends’. JBS SA received US$537mm
2015	1,150	PPC paid US$1.5bn in ‘special cash dividends’. JBS SA received US$1.15bn
2014	1,264	JBS USA remitted in cash US$1.3bn in dividends to JBS SA
2012	918	JBS USA paid US$918mm in dividends to JBS SA
LOANS (US$ MM)		
2017	150	JBS USA issued a US$150mm pre-export financing agreement with Seara
ACQUISITIONS (US$ MM)		
2017	1,000	PPC acquired Moy Park for US$1.3bn. JBS SA will receive US$1.1bn
CAPITAL REDUCTIONS (US$ MM)		
2014	230	JBS USA remitted in cash US$230mm referring to a capital reduction as debt forgiveness
2011	2,926	JBS USA paid US$1.5bn referring to a capital reduction and US$1.4bn referring to a capital reduction as an offset of mutual contract

MARKET OUTPERFORM (BRAZIL):

ODEBRE 6.35% 21s

Odebrecht Offshore Drilling Finance finances projects for building oil and gas related infrastructure, including rigs, platforms and other subsea operations. ODEBRE 21s were issued for the purpose of financing the construction of two ultra-deep water rigs (Norbe VIII and Norbe IX). After 2017 restructuring, the old 21s and 22s principal were split between senior and subordinated tranches

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ODEBRE 6.35% 12/01/2021	$420	-/B-/-	98.00	7.54%

PROS:

- Notes backed by two ultra-deep water rigs, all operating normally
- After recent restructuring and the new structure of senior/junior tranches, debt burden for the senior tranche eased. Junior principal and most of its coupon will not be paid during lifetime of senior tranche
- Recovery of Brent prices should help revitalize the drilling industry and ease concerns over possible declines in dayrates
- We have not seen any signs of Petrobras intending to cancel any of the remaining contracts. We do not think Petrobras wants to rely solely on multinational contractors. OOG reportedly was never “black listed.”

CONS:

- Drilling industry is subject to Brent prices
- Despite recovery in crude prices we have not seen yet an increase in platforms contracted or new platforms being built. There are still several rigs idled and stacked around the world
- Petrobras can cancel the contracts: in the past, Petrobras cancelled Tay IV rig contract (collateral for the old 22s) and the platform was sold for scrap. Any immediate termination of the contracts, though unlikely in our view, will result in substantial downside.

MARKET
OUTPERFORM (BRAZIL):

ODEBRE 6.35% 21s

STRUCTURE AFTER 2017 RESTRUCTURING

New Instruments	Old ODEBRE 21s	Old ODEBRE 22s
Senior Bonds (US$mn)	500	506
Current amount outstanding (US$mm)	393	483
Coupon	Cash 6.35%	Cash 6.72%
Amortization	Quarterly	Quarterly
Maturity	2021	2022
Subordinated Bonds (US$mn)	590	1,390
Current amount outstanding (US$mm)	628	1,455
Coupon	7.35%	7.72%
Minimum Cash Interest during Senior amortization (remaining coupon during lifetime of senior tranche is PIKed)	1%	1%
Amortization	Variable based on ECF starting after maturity of Seniors	
Maturity	2026	2026

CURRENT DAYRATES 21s

	Charter (US$k)	Service (BRLk)
Norbe VIII	381	123
Norbe IX	358	116

Contract maturities
Norbe VIII: Jul-21
Norbe IX: Oct-21

MARKET
OUTPERFORM (BRAZIL):

ODEBRE 6.35% 21s

CASH FLOW PROJECTION

	Revenue	Opex	Capex	OCF	Coupon T1	Coupon T2	Mgmt fees (*)	Amortization	Outstanding	Coverage (OCF/debt service)	Cash balance	IRR @ 98c
	USDk/day (*)				USDK/day			USDmm	US$mn		(US$mm)	7.5%
												US$mn
TODAY											25	(412)
3/1/2018	762	258	44	**460**	73	17	16	28	393	**1.16**	29	26
6/1/2018	762	258	44	**460**	68	17	16	28	365	**1.17**	34	34
9/1/2018	762	258	44	**460**	64	18	16	28	338	**1.19**	39	33
12/1/2018	762	258	44	**460**	59	18	16	28	310	**1.20**	45	33
3/1/2019	759	255	22	**482**	54	18	16	23	288	**1.57**	58	27
6/1/2019	759	255	22	**482**	50	19	16	23	265	**1.59**	71	27
9/1/2019	759	255	22	**482**	46	19	16	23	243	**1.60**	84	27
12/1/2019	759	255	22	**482**	42	19	16	33	210	**1.12**	88	36
3/1/2020	764	274	44	**447**	37	20	16	33	178	**1.04**	89	36
6/1/2020	764	274	44	**447**	31	20	16	33	145	**1.05**	91	35
9/1/2020	764	274	44	**447**	25	20	16	33	113	**1.07**	93	35
12/1/2020	764	274	44	**447**	20	20	16	23	90	**1.56**	106	24
3/1/2021	622	285	107	**230**	16	21	16	23	68	**0.71**	99	24
6/1/2021	622	285	107	**230**	12	21	16	23	45	**0.72**	93	24
9/1/2021	622	285	107	**230**	8	21	16	23	23	**0.74**	87	23
12/1/2021	622	285	107	**230**	4	22	16	23	0	**0.75**	82	23

(*) Per OOG projections of daily opex and capex, management fees and current dayrates

CHINA

MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

Anton is an independent, integrated Chinese onshore oilfield service provider, with a focus on oilfield service development in EM global markets. Anton operates in Asia (China, Kazakhstan), the Middle East (Iraq, Pakistan), Africa (Ethiopia), and the Americas. The company's three business sectors include drilling technology, well completion and oil production. 2H17 results, driven by the PRC's "Belt & Road" policy, and the company's recent bond exchange/issuance support our current 'Outperform' rating.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
ANTOIL 9.75% 12/05/2020	$300	B3/ -/ B-	104.75	7.73%

Pros:

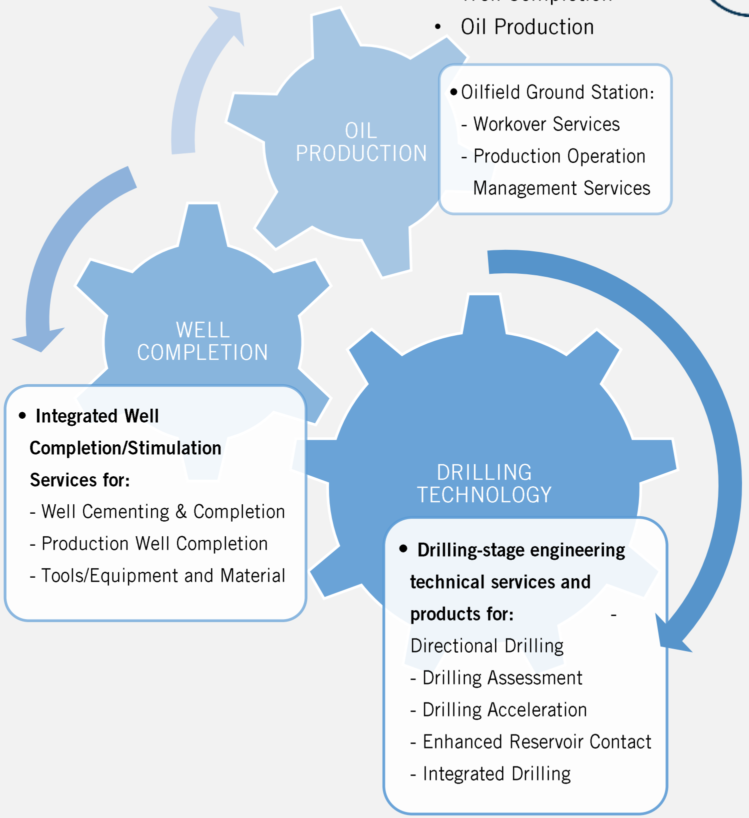
- Impact of PRC implemented "Belt & Road" Strategy:
  - Seesaw effect on revenue balance, with overseas revenues accounting for 65% of total revenue in 2H17
  - Larger order sizes from existing overseas clients
  - Increase in orders from Chinese independent oil customers in "Belt & Road" markets
- Recent issuance of 9.75% 2020s extend ANTOIL's runway, benefitting bondholders with higher coupon
- Positive 2H17 financial results – substantial increase in revenue and EBITDA

Cons:

- 1/3 of 2017 revenue generation sourced from two customers
- We continue to monitor whether increase in revenue and reported EBITDA are the result of overly lenient customer payment terms

Operations:

- Drilling technology
- Well Completion
- Oil Production



MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

ANTOIL (US$MM)	2017	2H17	1H17	2016	2H16	1H16	y/y	h/h
Revenue	327	200	127	243	140	103	43%	57%
EBITDA	105	63	42	57	39	17	60%	50%
EBITDA margin	32%	31%	33%	23%	28%	17%	340 bps	(147 bps)
Sale/(purchase) PP&E	(55)	(42)	(13)	(68)	(52)	(16)	(19%)	230%
Asset sales/(purchases)	(6)	(1)	(5)	11	(1)	12	27%	(84%)
Interest paid	(26)	(12)	(14)	(27)	(15)	(12)	(21%)	(13%)
Income tax paid	(7)	(5)	(2)	(5)	(5)	(1)	9%	134%
Free cash flow (Pre-WK)	**12**	**3**	**8**	**(38)**	**(43)**	**5**	**(107%)**	**(63%)**
Total Debt	523	523	397	372	372	368	41%	32%
Cash	174	174	50	73	73	31	138%	251%
Net Debt	349	349	347	299	299	337	17%	1%
Leverage (Total Debt / LHA EBITDA)	5.0x	4.2x	4.7x	6.6x	4.7x	10.5x	(0.6x)	(0.5x)
Net Leverage (Net Debt / LHA EBITDA)	3.3x	2.8x	4.1x	5.3x	3.8x	9.6x	(1.0x)	(1.3x)

2H17 FINANCIAL PERFORMANCE:

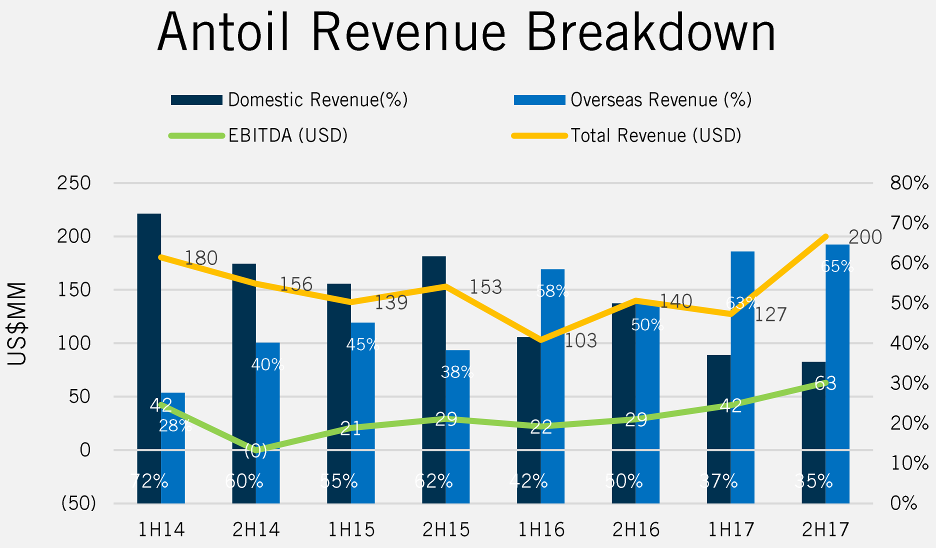
- Revenue increased 43% y/y to US$200 mm, driven almost entirely by overseas sales tied to independent Chinese oil companies operating in the “Belt and Road” markets
  - Strong growth from both domestic and overseas customers resulted in revenue expansion of 57% h/h
  - In FY17, approx. 1/3 of revenues were derived from two external independent customers, and tied to drilling technology and oil production service agents
- Adjusted EBITDA followed, growing 39% y/y and 60% h/h to US$63 mm
- EBITDA margin expanded y/y to 31%
- The company had US$540 mm in orders on hand at Dec-17, with 80% of projects already commenced
- Free cash flow (pre-working capital) was slightly positive at US$3 mm, from a burn of US$40 mm one year ago
- Debt increased 32% h/h to US$523mm after the issuance of US$300 mm 2020 senior notes in December, of which US$176 mm were used to retire the outstanding 2018s
  - With the liability management and improved financial profile, Moody’s and Fitch upgraded its ratings
- Cash h/h ended at US$174 mm
- Annualized net leverage strengthened to 2.8x from 3.8x one year ago

MARKET OUTPERFORM (CHINA):

ANTOIL 9.75% 20s

Anton Oilfield's "Belt & Road" Strategy:

- Under the "Belt & Road" infrastructure initiative, the Chinese government has sought to curtail overseas investments by large domestic corporations in industries such as real estate, hotel, film studio, and entertainment
- Simultaneously, the government has encouraged overseas investment related to telecom., railroads and construction – an action which has benefitted Chinese integrated oil & gas companies like Anton Oilfield Services Group
- Anton has implemented strategies to take advantage of these newly implemented regulations
- The company plans to maintain an asset-light business model and developing their presence the emerging market sector, with a focus on increasing production and reducing costs over the next three years
- The effect of these changes can already be seen in the shift of their revenues from being primarily domestically driven, to heavily sourced by overseas operations – 65% of revenues were derived from overseas in 2H17
- In addition to enhancing the company's ability to penetrate outside markets, the change appears to be having a positive impact on EBITDA



ECUADOR

MARKET OUTPERFORM (ECUADOR):

ECUA 9.625% 27s

Republic of Ecuador is a country located in the northwestern part of South America, with a population of 16.3 million people and a GDP of nearly US$100bn (~US$6.2k/capita). The country is one of the smallest members of the OPEC, with an oil production of 520kbpd, most of it heavy-oil. Current president is socialist Lenin Moreno, who took office in May-17 and has a mandate until 2021

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ECUA 9.675% 06/02/2027	$1,000	-/B-/B	101.25	8.68%

PROS:

- Despite background as a socialist, President Moreno has recently undertaken "pro-market" measures and has openly broken with the left, including a referendum that prevented Correa returning to power and which repealed taxes levied on upper classes.
- Recovery in crude prices should help alleviate fiscal accounts. 2018 budget was estimated with a local crude basket of US$42, lower than current market
- Ecuador's fiscal situation, although being weak, compares well to other similarly rated countries, despite trading wider. Recent plant launched to reduce deficit to 2.5% by 2021
- Steady GDP growth. In the past six years, GDP only contracted in 2016

CONS:

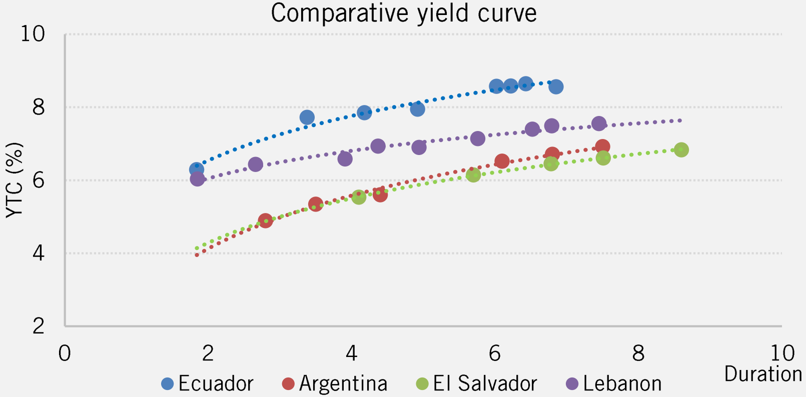
- Ecuador faces a big deficit, budgeted at 3.9% of GDP for 2018
- Debt burden is also on the rise, officially at 32% of GDP, a more than 20 p.p. increase when compared to 2012, and most of it related to international bonds
- The country is highly dependent on the evolution of crude prices. Correlation between bond and crude prices since Jan-16 is 90%, and 77% since Jan-15
- Recent audits suggest debt accounted by Correa might have been understated, including failure to account advances given to Petroecuador for future oil sales and loans signed by Petroecuador and the government, mostly with Chinese financial institutions. Per Comptroller initial audit, debt as of Dec-16 was 55% of GDP, above the 40% ceiling and the official 27% disclosed by previous administration

OUTPERFORM (ECUADOR):

ECUA 9.625% 27s

(US$ MM)	ECUADOR	ARGENTINA	EL SALVADOR	LEBANON
Bond Maturity	2027	2027	2027	2027
Coupon	8.875%	6.875%	6.375%	6.850%
Mid yield (%)	8.58%	6.71%	6.45%	7.52%
Spread to UST (bps)	585	393	367	474
Rating (M/SP/F)	-/B-/B	B2/B+/-	Caa1/CCC+/B-u	-/B-/B-
Amount Outstanding	$2,500	$3,744	$800	$1,250
2018 budget				
Primary surplus / (deficit)	(1,586)	(20,498)	283	NA
as % of GDP	(1.5%)	(3.2%)	1.0%	NA
Total surplus / (deficit)	(4,103)	(35,327)	(411)	(4,800)
as % of GDP	(3.9%)	(5.5%)	(1.4%)	(8.0%)
	Dec-17	Sep-17	Dec-17	Dec-17
Gross debt	32,640 (*)	305,708	17,290	79,500
Gross debt / GDP	60% (**)	53%	62%	142%
External debt / GDP	60% (**)	34%	43%	54%

(*) Official number. Per Comptroller initial audit, debt at Dec-16 reached US$50.5bn
(**) As per preliminary results of the audit, debt burden at end-17 could go close to 60% vs official report by Correa administration of 32%



Source: BBG as of 3/27/2018

MARKET
OUTPERFORM (ECUADOR):

ECUA 9.625% 27s

ECUADOR (US$MM)	2018 (budget)	1H17	2016	2015	2014	2013	2012
Current income	21,552	8,593	18,576	23,185	22,987	21,466	23,570
Current expenses	(18,390)	(6,474)	(15,253)	(18,178)	(19,372)	(18,217)	(15,253)
Capital income	3,312	876	2,108	2,812	3,326	4,532	916
Capital expenses	(8,042)	(3,916)	(9,538)	(10,128)	(11,777)	(11,539)	(9,268)
Primary deficit	(1,568)	(920)	(4,106)	(2,308)	(4,835)	(3,758)	(35)
as % of GDP	(1.5%)	(1.8%)	(4.2%)	(2.3%)	(4.8%)	(4.0%)	(0.0%)
Interest	(2,534)	(1,213)	(1,931)	(1,762)	(1,388)	(1,182)	(947)
Total deficit	(4,102)	(2,134)	(6,038)	(4,071)	(6,224)	(4,491)	(982)
as % of GDP	(3.9%)	(4.3%)	(6.1%)	(4.1%)	(6.1%)	(5.2%)	(1.1%)
		Dec-17					
Gross debt	n/a	32,640	26,811	21,273	18,679	13,957	11,526
Gross debt / GDP	n/a	32%	27%	21%	18%	15%	13%
External debt / GDP	n/a	32%	26%	20%	17%	14%	12%
Oil production per OPEC (kbpd)	520	530	545	545	542	514	499
GDP growth	2.0%	1.5%	(1.5%)	0.2%	3.8%	4.9%	5.6%

IMPORTANT NOTICE: 2017 and 2018 budget does not include deficit for oil derivatives imports. The net balance increased/(decrease) each of the following years deficit by: 2016: 0.9%, 2015: 0.3%, 2014: (0.2%), 2013: 0.6%, 2012: (0.2%)

INDONESIA

MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

Gajah Tunggal TBK PT is an Indonesian tire and tube manufacturer. The company was established in 1951 and is 49.5% owned by Denham Pte Ltd. Gajah is the largest Indonesian tire producer in volume and tonnage with a 16% market share in terms of sales volume, of passenger car and radial replacement tires (2016). The company's distribution is split relatively evenly between domestic and export sales. Gajah has a market cap of US$175 mm as of 4Q17.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
GJTLIJ 8.375% 08/10/2022	$250	B2/ B-/ -	97.38	9.11%

Pros:

- Extended debt runway with recent 2018 refinancing into 8.375% 2022s and issuance of US$250 mm in 5-year senior secured trade finance facility
- 1st lien 22s rank pari-passu with the 5-year senior secured trade finance facility
- 2022 covenant limits debt incurrence unless Consolidated EBITDA to fixed charges is ≥ 2.75x
- Positive 4Q17 financial performance, marked by increased Adj. EBITDA, positive FCF and 3.8x adjusted net leverage
- Produces own tire cord and synthetic rubber, of which 69% and 72%, respectively, are consumed internally (2016)
- First and only synthetic rubber ("SBR") plane in Indonesia, and first SBR plant in Southeast Asia
- One of the largest tire cord manufacturers in Southeast Asia

Cons:

- Senior secured trade finance facility secured by the same property and facilities as the 22s including deeds of fiduciary security over equipment and machinery located in bias tire production plants
- Maintenance covenants on the senior secured facility allow for acceleration of debt repayment to banks should the company fail to:
    - Maintain debt-to equity ratio of < 3.0x
    - Achieve and maintain adjusted leverage ratio of 3.5x in 1Q18-4Q2020, and 3.0x thereafter
    - Maintain debt service coverage ratio < 1.5x
    - Maintain minimum net worth ≥ US$380mm
- ~45%+ of net sales of tire-related products are exposed to foreign currency fluctuation

MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

GJTLIJ (US$MM)	FY17	4Q17	3Q17	2Q17	1Q17	FY16	4Q16	y-o-y	q-o-q
Average crude px (CL1)	50.85	55.30	48.20	48.15	51.78	43.47	49.29	12%	15%
Revenue	1,057	247	267	261	283	1,025	262	(6%)	(8%)
Cost of Goods Sold	(873)	(199)	(225)	(222)	(227)	(785)	(204)	(2%)	(12%)
- Raw materials used	(594)	*(133)*	*(139)*	*(156)*	*(165)*	(471)	*(131)*	*2%*	*(4%)*
Gross Profit	184	48	41	38	56	240	58	(18%)	15%
Gross Margin	17.4%	19.4%	15.5%	14.7%	19.9%	23.4%	22.2%	(279 bps)	383 bps
LTM Gross Margin	17.4%	17.4%	20.7%	21.6%	22.9%	23.4%	23.4%	(602 bps)	(330 bps)
SG&A	(110)	(22)	(30)	(29)	(29)	(122)	(32)	(31%)	(26%)
D&A	51	9	14	14	14	54	14	(36%)	(36%)
EBITDA	115	38	25	11	41	154	39	(4%)	50%
EBITDA margin	10.9%	15.3%	9.5%	4.2%	14.7%	15.0%	15.1%	23 bps	585 bps
LTM EBITDA margin	10.9%	10.9%	12.9%	13.8%	14.8%	15.0%	15.0%	-	-
Adj. EBITDA	125	34	25	24	41	171	39	(13%)	36%
Adj. EBITDA margin	11.8%	13.9%	9.5%	9.1%	14.7%	16.7%	15.1%	(118 bps)	445 bps
LTM Adj. EBITDA margin	11.8%	11.8%	14.4%	15.4%	16.4%	16.7%	16.7%	(493 bps)	(257 bps)
EBITDA	115	38	25	11	41	154	39	(4%)	50%
Working Capital	11	34	20	(11)	(32)	(5)	(5)	-	72%
Capex	(36)	(5)	(9)	(10)	(13)	(77)	(24)	(81%)	(47%)
Assets sales	0	0	0	0	0	2	0	304%	(7%)
Interest paid	(67)	(11)	(28)	(1)	(27)	(54)	(3)	276%	(59%)
Taxes paid	(5)	(2)	6	(4)	(5)	3	(4)	(60%)	-
Free cash flow	19	**54**	**15**	**(16)**	**(35)**	23	**3**	**1,512%**	**256%**
Total Debt	520	520	572	586	560	552	552	(6%)	(9%)
Cash & Equivalents **	66	66	60	64	55	84	84	(21%)	10%
Net Debt	455	455	512	521	505	469	469	(3%)	(11%)
Leverage (Total Debt /LQA EBITDA)	4.5x	3.4x	5.7x	13.4x	3.4x	3.6x	3.5x	(0.1x)	(2.2x)
Net Leverage (Net Debt /LQA EBITDA)	3.9x	3.0x	5.1x	11.9x	3.0x	3.0x	3.0x	0.0x	(2.1x)
Leverage (Total Debt /LQA Adj. EBITDA)	4.2x	3.8x	5.7x	6.2x	3.4x	3.2x	3.5x	0.3x	(1.9x)
Net Leverage (Net Debt /LQA Adj. EBITDA)	3.6x	3.3x	5.1x	5.5x	3.0x	2.7x	3.0x	0.3x	(1.8x)

4Q17 FINANCIAL PERFORMANCE:

- Revenue declined 6% y/y and 8% q/q to US$247 mm
- Cost of goods sold decreased 2% y/y and 12% sequentially to US$199 mm, driven primarily by a reduction in raw material costs
  - Cost of raw materials, which account for 67% of COGS, increased 2% y/y and decreased 4% q/q to US$133 mm
- Gross profit shrunk 18% y/y but grew 15% q/q to US$48 mm
- Gross margin contracted 279 bps y/y but expanded 383 bps q/q to 19.4% a delayed benefit of peak rubber prices in 1Q17
- SG&A expenses decreased 31% y/y and 26% q/q to US$22 mm as a results of reduced performance incentives, salaries and allowances and transportation expenses
- EBITDA declined slightly (4%) y/y, but jumped 50% q/q to US$38 mm on lower COGS and SG&A expenses
- EBITDA margin of 15% and LTM EBITDA margin of 11%
- Adj. EBITDA (incl. recall expense add-back) declined 13% y/y, but increasing 36% sequentially
  - Gajah clarified in its FY17 release that this expense was a one-off
  - Adj. EBITDA margin of 14% and LTM Adj. EBITDA margin of 12%

MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

GJTLIJ (US$MM)	FY17	4Q17	3Q17	2Q17	1Q17	FY16	4Q16	y-o-y	q-o-q
Average crude px (CL1)	50.85	55.30	48.20	48.15	51.78	43.47	49.29	12%	15%
Revenue	1,057	247	267	261	283	1,025	262	(6%)	(8%)
Cost of Goods Sold	(873)	(199)	(225)	(222)	(227)	(785)	(204)	(2%)	(12%)
- Raw materials used	(594)	*(133)*	*(139)*	*(156)*	*(165)*	(471)	*(131)*	*2%*	*(4%)*
Gross Profit	184	48	41	38	56	240	58	(18%)	15%
Gross Margin	17.4%	19.4%	15.5%	14.7%	19.9%	23.4%	22.2%	(279 bps)	383 bps
LTM Gross Margin	17.4%	17.4%	20.7%	21.6%	22.9%	23.4%	23.4%	(602 bps)	(330 bps)
SG&A	(110)	(22)	(30)	(29)	(29)	(122)	(32)	(31%)	(26%)
D&A	51	9	14	14	14	54	14	(36%)	(36%)
EBITDA	115	38	25	11	41	154	39	(4%)	50%
EBITDA margin	10.9%	15.3%	9.5%	4.2%	14.7%	15.0%	15.1%	23 bps	585 bps
LTM EBITDA margin	10.9%	10.9%	12.9%	13.8%	14.8%	15.0%	15.0%	-	-
Adj. EBITDA	125	34	25	24	41	171	39	(13%)	36%
Adj. EBITDA margin	11.8%	13.9%	9.5%	9.1%	14.7%	16.7%	15.1%	(118 bps)	445 bps
LTM Adj. EBITDA margin	11.8%	11.8%	14.4%	15.4%	16.4%	16.7%	16.7%	(493 bps)	(257 bps)
EBITDA	115	38	25	11	41	154	39	(4%)	50%
Working Capital	11	34	20	(11)	(32)	(5)	(5)	-	72%
Capex	(36)	(5)	(9)	(10)	(13)	(77)	(24)	(81%)	(47%)
Assets sales	0	0	0	0	0	2	0	304%	(7%)
Interest paid	(67)	(11)	(28)	(1)	(27)	(54)	(3)	276%	(59%)
Taxes paid	(5)	(2)	6	(4)	(5)	3	(4)	(60%)	-
Free cash flow	19	**54**	**15**	**(16)**	**(35)**	23	**3**	**1,512%**	**256%**
Total Debt	520	520	572	586	560	552	552	(6%)	(9%)
Cash & Equivalents **	66	66	60	64	55	84	84	(21%)	10%
Net Debt	455	455	512	521	505	469	469	(3%)	(11%)
Leverage (Total Debt /LQA EBITDA)	4.5x	3.4x	5.7x	13.4x	3.4x	3.6x	3.5x	(0.1x)	(2.2x)
Net Leverage (Net Debt /LQA EBITDA)	3.9x	3.0x	5.1x	11.9x	3.0x	3.0x	3.0x	0.0x	(2.1x)
Leverage (Total Debt /LQA Adj. EBITDA)	4.2x	3.8x	5.7x	6.2x	3.4x	3.2x	3.5x	0.3x	(1.9x)
Net Leverage (Net Debt /LQA Adj. EBITDA)	3.6x	3.3x	5.1x	5.5x	3.0x	2.7x	3.0x	0.3x	(1.8x)

4Q17 FINANCIAL PERFORMANCE - continued:

- Free cash flow was positive US$54 mm on strong EBITDA performance and notable working capital reduction
- Gross debt decreased 9% q/q to US$520 mm in 4Q17
  - In Sept. 2017, Gajah refinanced its 7.75% 18s, redeemed at 102c, issuing US$250 mm in 8.375% 22s
  - Additionally, in July 2017, the company signed a 5-year senior secured syndicated financing facility agreement ("facility") for US$250 mm
  - The facility is comprised of two amortizing tranches:
    - USD denominated US$210 mm tranche, whose principal is hedged
    - IDR denominated tranche equivalent to US$40 mm
- LQA Adj. leverage was reduced sequentially to 3.8x
  - Per the facility's covenant, Gajah is required to achieve an adjusted leverage ratio of 3.5x or less by 1Q18

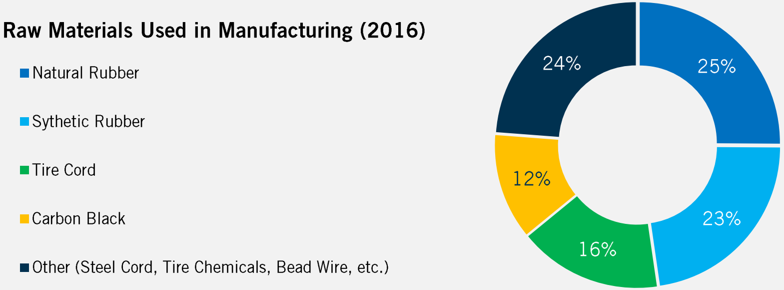
MARKET OUTPERFORM (INDONESIA):

GJTLIJ 8.375% 22s

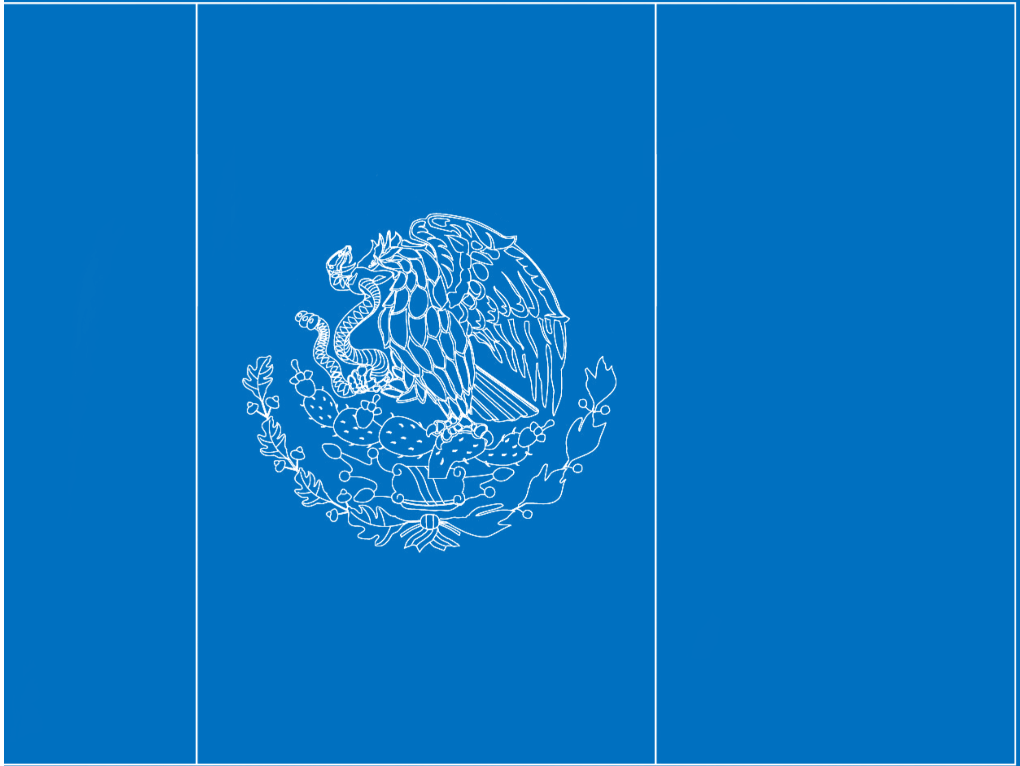
RAW MATERIAL COSTS:

- Raw materials at 4Q17 account for 67% of Gajah's COGS
- Key raw materials used in the tire manufacturing process are natural rubber, synthetic rubber (butadiene, styrene, nylon yarn, polyester), tire cord, carbon black and other (steel cord, tire chemicals, bead wire, other rubber processing chemicals)

Raw Materials Used in Manufacturing (2016)



- Gajah produces its own tire cord and synthetic rubber, accounting for 40% of raw materials used
  - GJTLIJ has the first and only synthetic rubber ("SBR") plant in Indonesia, and the first SBR plant in Southeast Asia (2016)
    - FY16 annual production capacity was 75,000 tons
    - Volumes were comprised of SBR 1712 (59.4%) and SBR 1502 (37.6%)
    - 69% was consumed internally, with the remaining sold to third parties
  - It is one of the largest tire cord manufacturers in Southeast Asia (2016)
    - FY16 annual production capacity was 40,000 tons
    - Volumes were comprised of nylon -6 tire (60.3%), nylon -66 tire cord (14.1) and polyester tire cord (25.6%)
    - 72% was consumed internally, with the remaining sold to third parties



MEXICO

MARKET OUTPERFORM (MEXICO):

TZA 8.25% 24s

TV Azteca has shifted focus to its core businesses by hiring experienced professionals to produce more original content, while using TZA as its distribution channel. The new strategy has improved ratings, resulting in significant gain in TZA's market share; however, Televisa's recent ratings have enabled it to recapture a portion of that market share. TZA's recent results have improved, but are partially offset by South American fiber optic investments that aren't meeting expectations. The company has steadily reduced its USD denominated debt, including minor asset sales for debt repayments.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
TZA 8.25% 08/09/2024	$400	- / - / B+	103.38	7.57%

Pros

- One of the most important producers of Spanish-language programming in the world with strong brand recognition
- Improved ratings as TZA focuses on producing its own original content
- Continuing market share gains with advertising revenue growth
- Successful monetization of international assets under continuing content sale contracts
- Capex returned to normalized levels
- Steadily reducing leverage and improved capital structure through recent results and asset sales
- Reduced USD exposure through a fully hedged USD coupon and recent MXN$4 bn issuance

Cons

- Exposed to a natural business seasonality
- Competing against large broadcasters like Televisa, as well as international players such as Univision and Telemundo
- Domestic broadcasting concessions are subject to renewal in 2021
- Non-core business ventures have performed below expectations
- Currency mismatch between MXN revenues and USD costs
- Approximately 59% of TZAs total debt is USD denominated

MARKET
OUTPERFORM (MEXICO):

TZA 8.25% 24s

Recent 4Q17 Earnings:

- 4Q17 Adj. Revenue increased by 7% y/y to MXN$4,005 mm (US$211 mm), meeting the BBG consensus
  - Domestic advertising revenue increased by 6% y/y to MXN$3,623 mm, driven by larger audience reach of content
    - Advertising accounted for 90% of 4Q17 total sales as TZA continues to focus on its domestic operations
- EBITDA decreased by 3% y/y to MXN$1,416 mm (US$75 mm), missing the BBG consensus by 1%
  - EBITDA contraction was driven by a 24% y/y increase in production and programming costs as TZA focuses on higher quality content
  - Higher OpEx were partially offset by an improvement in Peruvian operations, whose project costs were related to maintenance, and not construction
- EBITDA margin declined to 35%, compared to 39% during 4Q16
- FCF was MXN$488 mm (US$26 mm), driven by lower capex and interest paid
- FCF was offset by working capital expansion from higher accounts receivable

TV AZTECA (MXN MM)	4Q17	BBG consensus	% dif	3Q17	4Q16	q/q	y/y
Total Revenue	4,005	3,994	0%	3,459	3,727	16%	7%
EBITDA	1,416	1,426	(1%)	835	1,460	70%	(3%)
EBITDA margin	35%	36%	-	24%	39%	-	-

TV AZTECA (MXN MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	13,398	16,000	18,261	(16%)	(27%)
Cash & Equivalents	2,783	6,119	4,471	(55%)	(38%)
Net Debt	10,615	9,881	13,790	7%	(23%)
Total Debt / LQA EBITDA	2.4x	4.8x	3.1x	-2.4x	-0.8x
Net Debt / LQA EBITDA	1.9x	3.0x	2.4x	-1.1x	-0.5x

TV AZTECA (MXN MM)	4Q17	3Q17	4Q16	q/q	y/y
EBITDA	1,416	835	1,459	70%	(3%)
Interest paid	(99)	(498)	(304)	80%	67%
Capex	(82)	(152)	(660)	46%	88%
Changes in WK	(757)	(220)	(185)	(244%)	(309%)
Taxes paid	11	0	222	-	95%
FCF	**488**	**(35)**	**531**	-	(8%)

MARKET
OUTPERFORM (MEXICO):

TZA 8.25% 24s

Recent 4Q17 Earnings - continued:

- TZA's improved capital structure is due to a 27% y/y decrease in total debt to MXN$13,398 mm (US$678 mm)
  - Cash decreased by 38% y/y to MXN$2,783 mm (US$141 mm) as TZA paid down debt of MXN$3,815 mm with cash on hand during the quarter
  - As a result of the latest MXN$4,000 mm issuance, 34% of TZA's total debt (excl. the American Tower loan due 2069) is now MXN denominated
    - During 4Q16, 100% of TZA's total debt was USD denominated
  - Additionally, the US$400 mm bond issuance has fully hedged coupon payments until maturity
- TZA sold the remaining of its US operations during 4Q17 for MXN$1,994 mm (US$105 mm) to HC2 Network
  - The transaction includes a 7-year programming agreement that will allow TZA to sell content to HC2
- Annualized gross and net leverage ratios improved to 2.4x and 1.9x, respectively

TV AZTECA (MXN MM)	4Q17	BBG consensus	% dif	3Q17	4Q16	q/q	y/y
Total Revenue	4,005	3,994	0%	3,459	3,727	16%	7%
EBITDA	1,416	1,426	(1%)	835	1,460	70%	(3%)
EBITDA margin	35%	36%	-	24%	39%	-	-

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Net Debt	10,615	9,881	13,790	7%	(23%)
Total Debt / LQA EBITDA	2.4x	4.8x	3.1x	-2.4x	-0.8x
Net Debt / LQA EBITDA	1.9x	3.0x	2.4x	-1.1x	-0.5x

TV AZTECA (MXN MM)	4Q17	3Q17	4Q16	q/q	y/y
EBITDA	1,416	835	1,459	70%	(3%)
Interest paid	(99)	(498)	(304)	80%	67%
Capex	(82)	(152)	(660)	46%	88%
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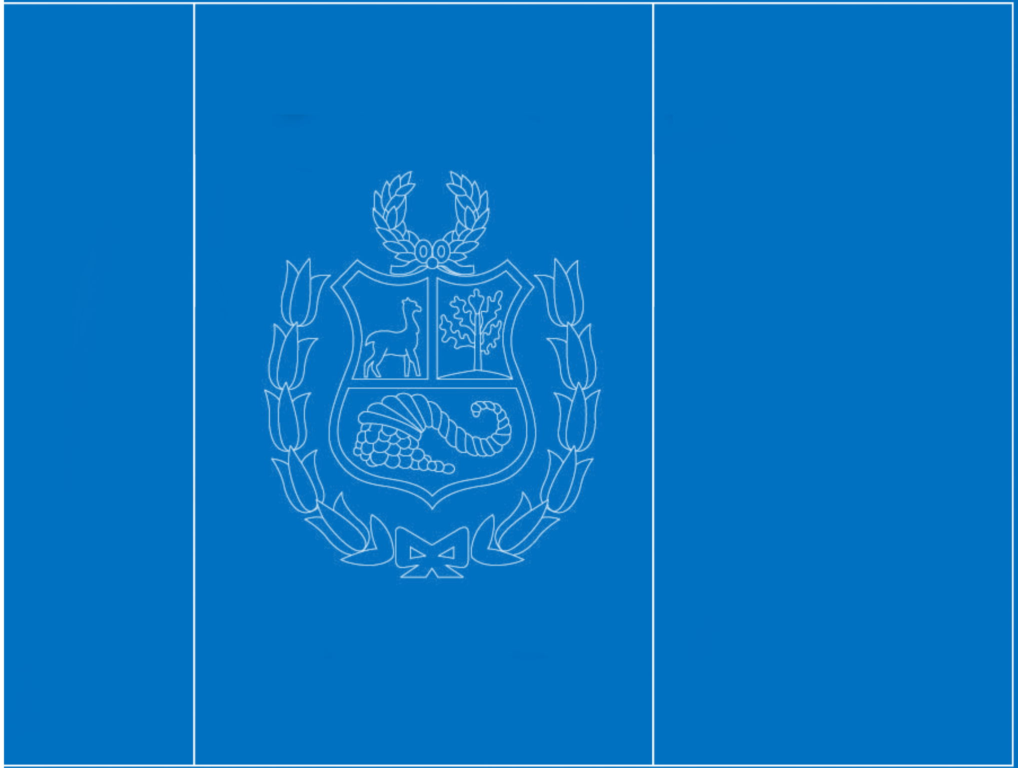


PERU

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Ajecorp is a financing subsidiary incorporated in the Netherlands, wholly-owned by Spain-based Grupo Embotellador Atic, S.A. ("Atic"), a second tier soft drink and bottling company with operations primarily focused in the Andean region and Central America. Both Atic and its sister-company Callpa are 100% owned by the Añaños family. All operations under the Añaños family are funded by Atic, with profitable operations incorporated under Atic and early stage, unprofitable operations under Callpa.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
AJEBCV 6.5% 05/14/2022	$450	-/ B/ B-	90.50	9.33%

Pros:

- Ring-fencing of non-performing assets under Callpa conserves Atic's credit profile, while maintaining ownership under the Añaños family
- Sept-16 refinancing of US$88mm in bank debt strongly positions company with new four-year term financing
- Intercompany lending to non-performing CALLPA assets capped at US$11 mm for the duration of facility, per loan indenture
- Stable 3Q17 Adj. EBITDA, positive FCF and manageable 3.6x adj. net leverage
- Potential cash inflow from sale of non-performing Asia operations (Book value US$80 mm)

Cons:

- Potential for bank waiver – or less onerous covenants, which would allow for reinstatement of inter-company loan capability
- Exposure to weak local currencies
- Competition against major international brands, backed by substantial financial resources

MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

ATIC (US$MM)	3Q17	2Q17	1Q17	FY2016	3Q16	2Q16	y-o-y	q-o-q
Volume (24 x 8oz)	88,955	91,832	100,404	420,335	96,595	107,141	(8%)	(3%)
Revenue	191	200	215	801	192	208	(0%)	(4%)
Operating income	18	26	40	86	20	16	(7%)	(28%)
SG&A	(53)	(54)	(54)	(211)	(50)	(55)	7%	(1%)
Adj. EBITDA	28	33	48	119	29	26	(5%)	(17%)
LTM Adj. EBITDA	140	142	134	119	80	72	74%	(1%)
LTM interest expense	43	42	41	39	44	44	(2%)	4%
Adj. EBITDA margin	15%	17%	22%	15%	15%	12%	(78 bps)	(217 bps)
Net cash from operating activities	27	10	32	27	13	27	108%	183%
Net cash from investing activities	(24)	(10)	(10)	28	(15)	(12)	60%	150%
Net cash from financing activities	(4)	(21)	(8)	(50)	(2)	(18)	117%	(81%)
Total debt	571	569	580	571	608	604	(6%)	0%
Total cash and equivalents	47	49	56	58	39	40	19%	(5%)
Net debt	524	520	524	513	569	564	(8%)	1%
Leverage (Total Debt / LTM Adj. EBITDA)	4.1x	4.0x	4.3x	4.8x	7.6x	8.4x	(3.5x)	0.1x
Net Leverage (Net Debt / LTM Adj. EBITDA)	3.7x	3.7x	3.9x	4.3x	7.1x	7.8x	(3.3x)	0.1x
Interest coverage (LTM Adj. EBITDA / LTM Int. Expense)	3.2x	3.4x	3.3x	3.0x	1.8x	1.6x	1.4x	(0.2x)
Adj. Total Debt (2)	550	554	558	556	-	-	-	(1%)
Adj. Net Debt	503	505	501	498	-	-	-	(0%)
Adj. Leverage (Total Debt / LTM Adj. EBITDA)	3.9x	3.9x	4.2x	4.7x	-	-	-	0.0x
Adj. Net Leverage (Net Debt / LTM Adj. EBITDA)	3.6x	3.6x	3.7x	4.2x	-	-	-	0.0x

Note: Adj. EBITDA excludes royalties for formulas

(1) Financial results and production volumes exclude discontinued operations

(2) Adjusted total debt excludes indenture accounting adjustments and accrued interests

Summary of 3Q17 Financial Results:

- Revenue was flat y/y, but declined 4% sequentially, to US$191mm
- Carbonated soft drinks ("CSDs") accounted for 51% of volume and 45% of revenue
- Volume was reduced by 8% y/y to 88,955 24 x 8oz cases
- Average price per case increased 8.2% y/y to US$2,100
- Reported Adj. EBITDA decreased 5% y/y and 17% q/q to US$28mm, driven primarily by higher raw material costs, and marketing expenses
- Central America and Peru are the largest contributors to consolidated Adj. EBITDA at 43% and 28% respectively
- Reported Adj. EBITDA margin of 15%, and LTM Adj. EBITDA margin of 17%
- SG&A increased 7% y/y to US$53mm, but remained relatively flat sequentially
- Operating income fell 7% y/y and 28% q/q to US$18mm
- Cash and equivalents decreased 5% q/q
- Net debt was flat q/q at US$524mm
- LTM Net leverage was 3.7x

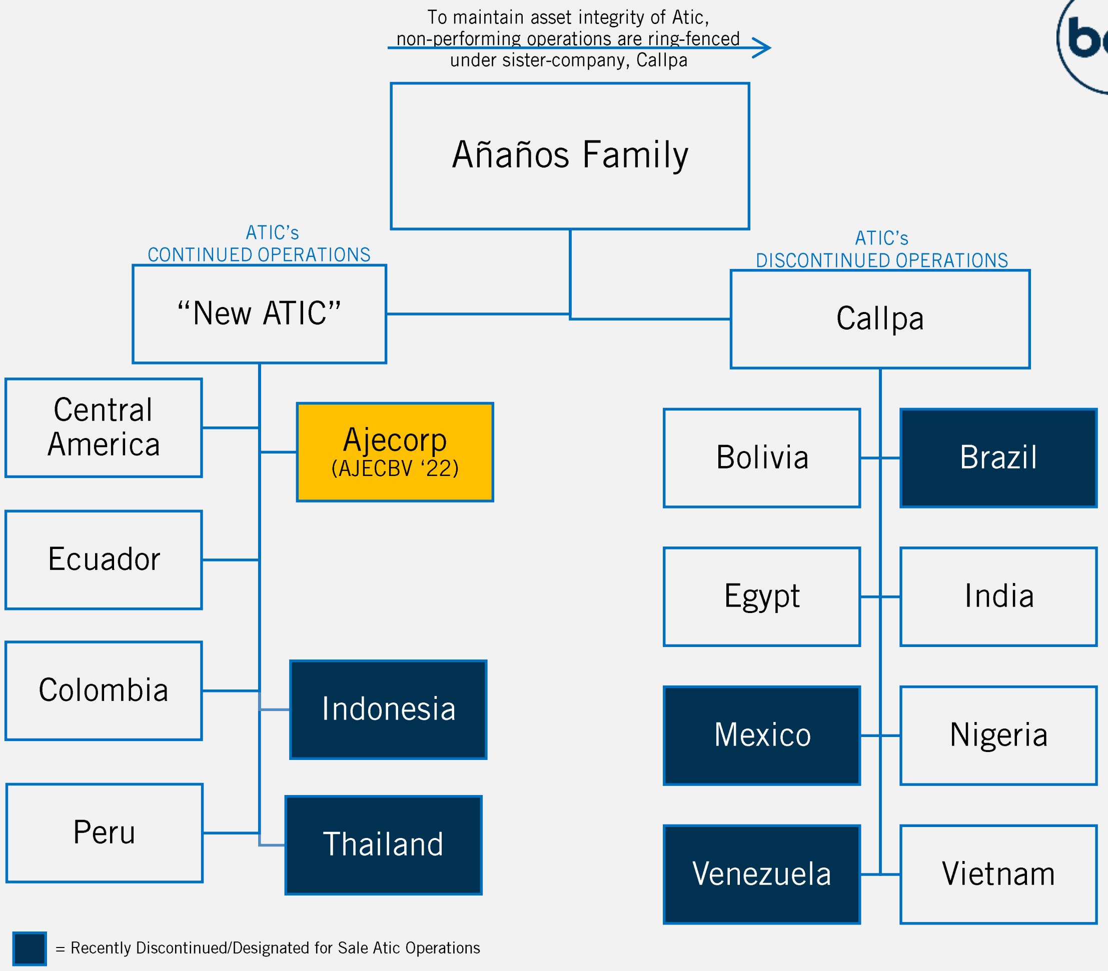
MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

The ring-fencing of non-performing assets under sister-company Callpa enables the company to enhance its credit profile by quarantining loss-producing assets.

- Following the refinancing of a majority of Atic's short-term bank debt in the form of an US$88mm senior credit facility, lending banks required the ring-fencing of non-performing assets to Callpa
- Through an all-cash transaction under the "New ATIC" business model, all early stage / unprofitable assets in Brazil, Mexico, and Venezuela were transferred to Callpa. Asia operations (Indonesia/Thailand) are included as well, and will either be sold to a third party, or transferred to Callpa
- In addition to its own operations, Atic has historically funded these operations incorporated under its sister-company
- However, under the Indenture, the "New ATIC" is prohibited from providing any financial support to Callpa throughout the tenure of the new credit facility
- In the interim, related-party loans from the "New ATIC" to Callpa will be limited to a total of US$11mm for the four (4) year duration of this senior credit-facility

- US$8mm in seed funding, funded through the sale of caps and pre-form assets
- US$3mm in additional funding, to be paid out in 2017



MARKET OUTPERFORM (PERU):

AJECBV 6.5% 22s

Update on Non-Performing Asset Sales to CALLPA:

- As of December 2017, Brazil operations have been effectively ring-fenced under CALLPA
- The sale of Venezuelan operations to CALLPA is expected to be completed before year-end 2017
- Asian operations have not been sold CALLPA on formal indication of third-party interest (Book value US$80 mm)
- Atic is considering reintegrating Mexico operations following positive 9M17 financial (EBITDA) performance
  - Mexico's 3Q17 Adj. EBITDA performance was reported to be US$4mm
  - Adj. EBITDA improvements have been driven by restructuring of cost structure, distribution and commercial agreements, etc. YTD contributions to results include a 46% reduction in overhead, 19% price increase and 42% improvement in gross margin
- YTD, Atic has supplied US$15mm in loans to operations under CALLPA
  - US$8mm in net proceeds from the preforms and asset disposal, as a portion of the US$11mm limit in approved loans to CALLPA under Atic's agreement with bank lenders
  - US$7.3mm in loans committed to discontinued operations under CALLPA (Brazil, Indonesia and Mexico) prior to the US$11mm cap agreement with bank lenders

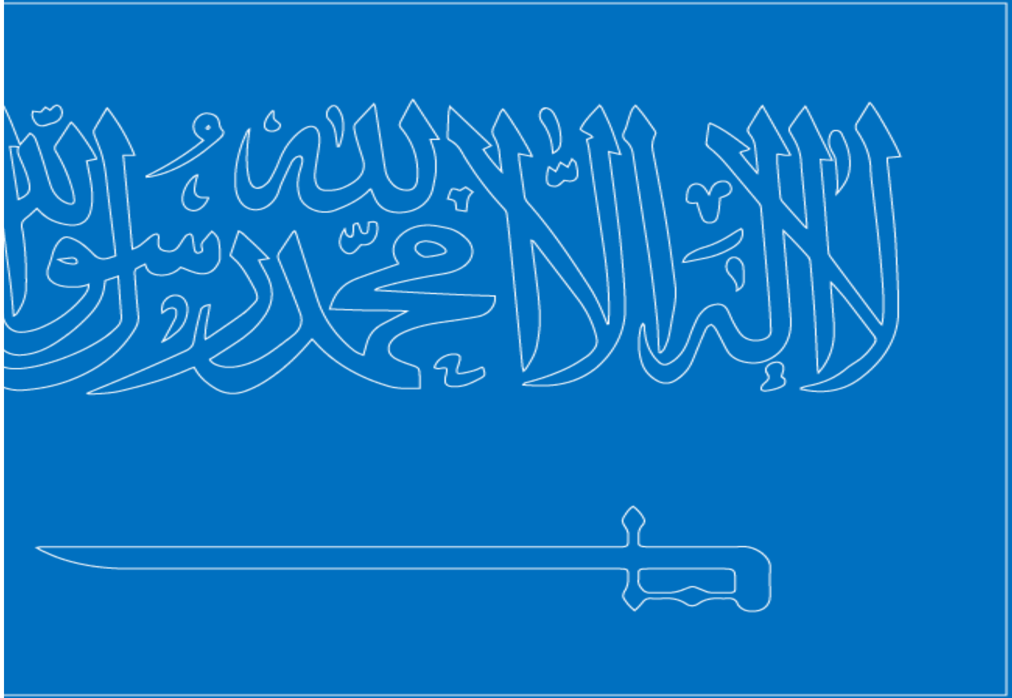
3Q17 Free Cash Flow:

- Free cash flow was positive US$14mm, driven primarily by a reversal of US$26mm in cash interest and finance expenses

ATIC (US$MM)	YTD 2017	3Q17	2Q17	1Q17	YTD 2016 (i)
Net Income	42	6	19	16	22
Interest (Expense)/Income	23	7	8	7	20
D&A	20	8	6	6	38
FX Losses on Monetary Earnings	(0)	1	(8)	7	(5)
Taxes	20	4	6	10	21
Impairments	0	0	0	0	(1)
EBITDA	**104**	**26**	**32**	**46**	**97**
Working Capital	(3)	2	0	(5)	(13)
Capital Expenditure	(28)	(10)	(9)	(9)	(27)
Cash Interest and Finance Expense	(22)	17	(36)	(3)	(18)
Income Taxes Paid	(34)	(21)	(2)	(12)	(8)
Free cash flow	**18**	**14**	**(15)**	**18**	**30**

(i) Reported numbers from cash flow include discontinued operations

SAUDI ARABIA



MARKET OUTPERFORM (MIDDLE EAST):

DARALA 6.875% 23s

Dar Al Arkan (DARALA) is Saudi Arabia's largest listed real estate developer with headquarters in Riyadh. It was established in 1994 by six business families. DAAR primarily focuses on three core businesses: land development (purchasing and developing infrastructure on raw land parcels), which represented on average 97% of 2009-17 revenues, residential and commercial development, property management and leasing.

Dar Al Arkan is a public company listed on the Saudi Stock Exchange in 2008. DAAR's founders own a total of 70% of the company and the remaining 30% is free float.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
DARALA 6.875% 03/21/2023	$500	B1/-/-	99.13	7.09%

PROS

- DAAR has a diverse land bank in Tier 1 cities of KSA (Kingdom of Saudi Arabia) - Riyadh, Medina, Jeddah and the Eastern Province
- Solid liquidity profile
- Debt to equity of under 0.6x
- Plans to sell 30% of property management subsidiary through an IPO, potentially raising US$200 mm
- Economic environment improvement due to higher oil prices
- Promising long-term fundamentals for real estate in KSA thanks to favorable demographics together with housing deficit
- Strong FCF generation
- Government's plan to support the non-oil sector and to diversify the Saudi Arabia economy

CONS

- Reduction in margins due to haircut on land prices to boost sales – pressuring gross margin
- Revenue concentration - land sales is the largest revenue contributor
- Significant unsecured debt to total assets, which was 74% as of year-end 2017
- Sensitivity to cyclical real estate sector
- White land tax (on undeveloped land) in KSA intended to spur development

MARKET
OUTPERFORM (MIDDLE EAST):

DARALA 6.875% 23s

Recent Earnings and Main Highlights:

- Total revenue recorded the highest level in the last five years increasing by 64% q/q and by 5x y/y to US$649mm on the back of the higher land sales
    - Land bank totals US$3.92bn at carrying value
- EBITDA increased 25% q/q to US$119mm
- EBITDA margin declined to 18% from 24% q/q on the back of the mix of land sold
- Net leverage dropped to 3.0x from 4.5x a quarter ago mainly on the back of higher earnings
    - Cash and equivalents increased by 7% to US$843mm that is sufficient to repay its 2018 sukuk and 2019 sukuk
- Positive FCF increased by 84% q/q to US$173mm: even though high account receivables increased further on the back of higher revenue, it was mitigated by sale of development properties, driving positive cash generation
- DARALA continues to shrink the balance sheet, making land sales while not reinvesting capital for future development projects

DARALA (MM US$)	4Q17	4Q16	3Q17	y/y	q/q
Revenue	649	109	395	493%	64%
EBITDA	119	40	95	200%	25%
EBITDA margin	18%	36%	24%	(49%)	(24%)
Profit/(Loss)	88	11	57	729%	54%

DARALA (MM US$)	4Q17	4Q16	3Q17
Total Debt	1,706	1,391	1,826
Cash & Equivalents	843	155	789
Net Debt	864	1,236	1,037
Net Leverage (Net Debt / LTM EBITDA)	3.0x	7.8x	4.5x

DARALA (MM US$)	4Q17	4Q16	3Q17
EBITDA	119	40	95
Interest	(29)	(23)	(30)
Working Capital	83	(56)	29
Capex	(1)	(0)	(1)
Taxes	0	0	0
FCF	**173**	**(39)**	**94**

UKRAINE

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
METINV 8.5% 04/04/2026	$1,000	-/ -/ -	100.00	8.625%

Eurobonds	MHP	CSN	Metinvest
Country	Ukraine	Brazil	Ukraine
Rating	Caa1/ B/ B	B3/ - /B-	Caa1/ B- / B
Bond	MHPSA 6.95% 26s	CSNABZ 6.5% 20s	New METINV 26s
YTM	6.97%	7.70%	~8.625%
Spread to Sovereign (bps)	(32)	553	~120
Sovereign Ownership	Private	Private	Private
Position in the country	#1	#2	#1
4Q17 Financials, USD MM	**MHP**	**CSN**	**Metinvest**
Revenue	318	1,537	2,709
EBITDA	88	370	671
Tax	0.0	10	70
Interest	21	159	45
Capex	31	106	182
FCF before WK	36	96	374
Gross Leverage	2.5x	6.4x	1.1x
Net Leverage	2.2x	5.5x	1.0x

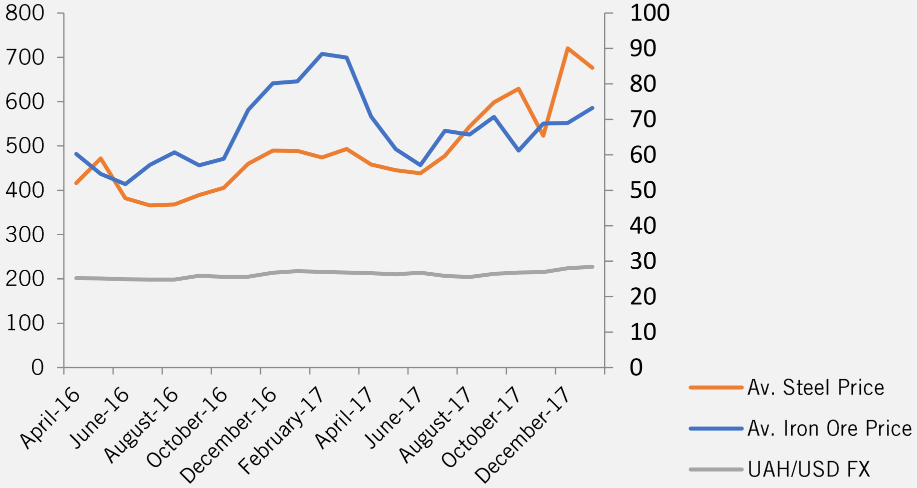
- *On April 4, 2018, Metinvest (Caa1/-/B), a Ukrainian steel and iron ore producer, announced results of the consent solicitation and early results of the cash tender offer for the METINV 21s – 89.1% of the bondholders consenting and tendering their bonds*
- *At the same time, the company released initial price guidance (IPG) for its five-year and eight-year Eurobond tranches, which are being issued simultaneously with the tender offer.*
- *The IPG as follows:*
    - *METINV 04/23/2023 – USD benchmark Eurobond*
        - *IPG ~8%*
        - *Exp. Rating - - / B- / B*
    - *METINV 04/23/2026 – USD benchmark Eurobond*
        - *IPG ~mid-to-high 8%.*
        - *Exp. Rating - - / B- / B*
- *Metinvest recently released impressive preliminary 2017 IFRS results marked by improved leverage (1.0x on an LQA basis, under 2.0x net LTM), stronger profitability (EBITDA +26% q/q) and healthy FCF generation, which makes a proposed mid-to-high 8% yield very attractive vs. peers like Brazilian CSN and Ukrainian MHP. Provided the new eight-year bond prices at or above 8.25% YTM, we think it will be the most compelling HY bond in Ukraine, and as such we upgrade to "Outperform."*

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s

2017 production was down due to asset loss in 1Q17; however, strong pricing environment and stable local currency supported Metinvest's financial performance

Av. Iron Ore & Steel Prices (USD/ton) and UAH/USD FX



Metinvest Production	2017	2016	y/y
Crude Steel	**7,630**	**8,393**	**-9%**
Azovstal	4,265	3,705	15%
Ilyich Steel	3,096	2,763	12%
Yenakiieve Steel	269	1,952	-86%
Iron Ore Concentrate	**27,464**	**29,640**	**-7%**
Northern GOK	11,366	11,634	-2%
Ingulets GOK	11,429	12,783	-11%
Central GOK	4,669	5,224	-11%
Coking Coal Concentrate	**2,590**	**3,051**	**-15%**
Krasnodon Coal	129	750	-83%
United Coal	2,461	2,301	7%

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s

Financial Results - strong preliminary financial results, especially , EBITDA, which continues to exceeded our expectations

- Revenue – was propelled up by a much better pricing environment, despite a production decline across all categories y/y: steel (-9% y/y), iron ore (-7% y/y) and coal (-15% y/y); during the 4Q17, a pick up in production further helped the top line - steel production was up 6% q/q whilst iron ore was up 3% q/q
    - 4Q17 – US$2.7 bln (+58% y/y and +17% q/q)
    - 2017 – US$8.9 bln (+44% y/y)
- EBITDA - followed the revenue trajectory after received a boost from a much higher prices - av. iron ore prices and av. steel prices are 21% and 57%, respectively, above the 2016 level
    - 4Q17 – US$671mm (+83% y/y and +26% q/q) with EBITDA margin of 25% (+4pp y/y and +2pp q/q)
    - 2017 – US$2.0 bln (+77% y/y) with EBITDA margin of 23% (+4pp y/y)
- FCF Positive – at US$1.29 bln – 86% above the 2016 level despite higher taxes, interest payments and increased capex (+27% y/y to US$455mm)
- Net Leverage – 1.4x (vs. 2.4x at end-2016) – significantly improved largely due to notably improved profitability as the total debt remained generally unchanged
- *On March 1, 2018, Metinvest (Caa1/-/B), Ukraine's leading steel and iron ore producer, released its December monthly 2017 report, allowing us to estimate 4Q17 and 2017 financial results. On an annual basis, revenue and EBITDA gained 44% and 77%, respectively, vs. the 2016 level. On a quarterly basis, both revenue and EBITDA improved sequentially (q/q) by 17% and 26%, respectively. 2017 FCF improved 86% y/y to US$1.3 billion on the back of improved profitability, which also was a major contributor to a notable de-leveraging – net leverage at 1.4x (vs. 2.4x in 2016)*

MARKET OUTPERFORM (UKRAINE)

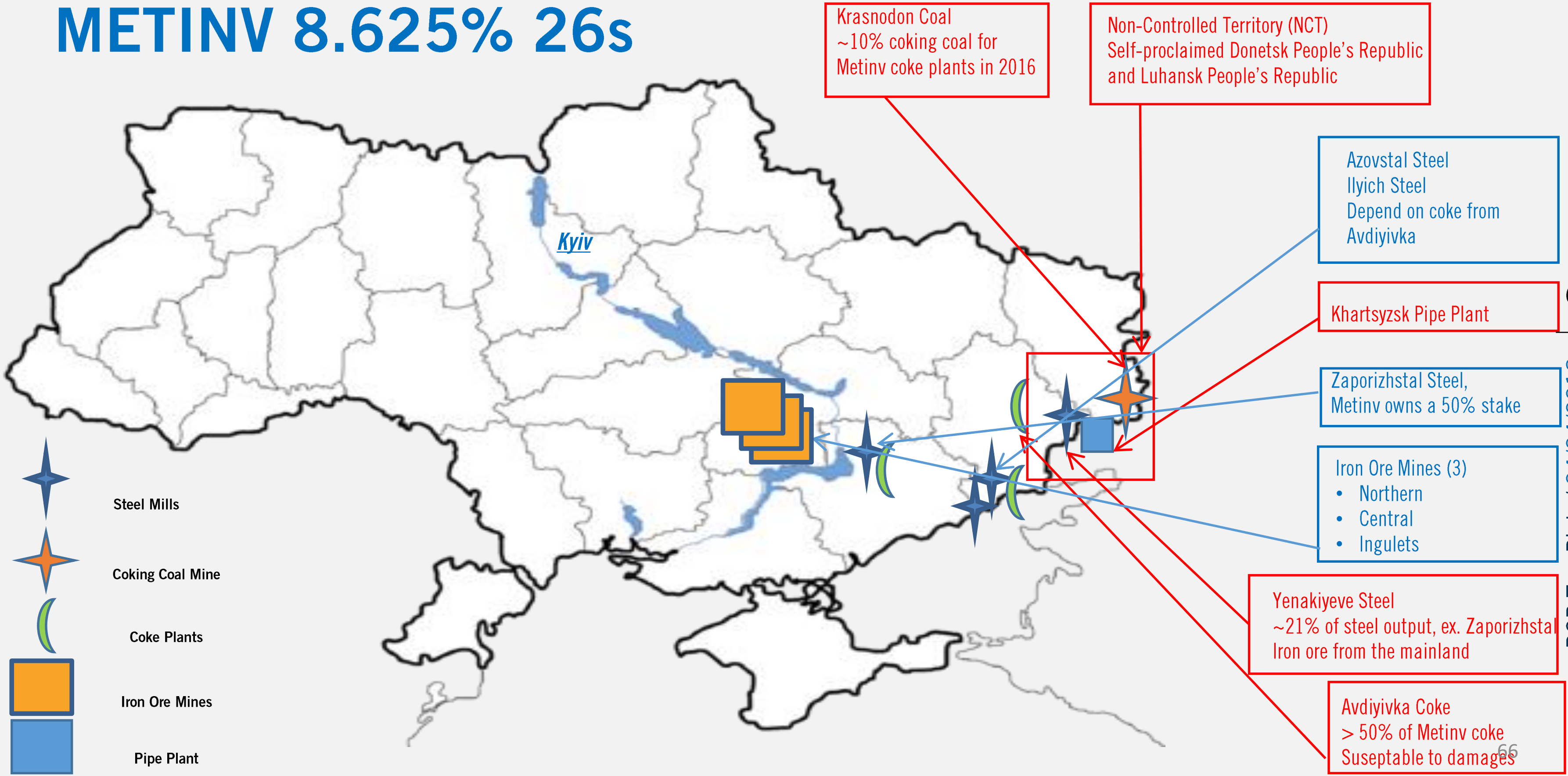
METINV 8.625% 26s

According to our estimates based on the company's monthly financial results, 4Q17 revenue and EBITDA grew sequentially (q/q) by 17% and 26%, respectively

Metinvest (US$ MM)	2017	2016	y/y	4Q17	3Q17	q/q	2Q17	1Q17	4Q16	y/y
Revenue	8931	6223	44%	2709	2309	17%	2060	1853	1718	58%
EBITDA	2044	1153	77%	671	534	26%	434	402	367	83%
Interest	135	133	2%	45	35	29%	13	42	48	-6%
Capex	465	358	30%	182	104	75%	66	103	95	92%
Taxes	156	(35)	-546%	70	32	119%	44	10	16	338%
FCF	1288	697	85%	374	363	3%	311	247	208	80%
EBITDA margin	23%	19%	4pp	25%	23%	2pp	21%	22%	21%	4pp
Gross Debt	3,017	2,969	2%	3,017	2,909	4%	2,949	2,951	2,940	3%
Cash	259	226	15%	259	293	-12%	258	215	244	6%
Net Debt	2,758	2,743	1%	2,758	2,616	5%	2,691	2,736	2,696	2%
Leverage, LHA/LQA/LMA	1.5x	2.6x	-43%	1.1x	1.4x	-17%	1.7x	1.8x	2.0x	-44%
Net Leverage, LHA/LQA/LMA	1.3x	2.4x	-43%	1.0x	1.2x	-16%	1.6x	1.7x	1.8x	-44%
FX end of period:	28.02	26.74	5%	28.02	26.42	6%	26.75	26.79	26.74	5%
Av. price iron ore, $/ton	70.57	58.38	21%	64.52	71.18	-9%	62.90	85.63	70.98	-9%
Av. price steel, $/ton	602.99	383.64	57%	684.70	529.79	29%	445.42	486.15	448.32	53%

MARKET OUTPERFORM (UKRAINE)

METINV 8.625% 26s



UNITED ARAB EMIRATES

MARKET OUTPERFORM (MIDDLE EAST):

TPZMAR 9.125% 22s

Topaz Energy and Marine (TPZMAR), is a Dubai-based subsidiary of Renaissance Services SAOG, providing marine solutions for the oil gas industries in the Caspian Sea, Middle East and Africa offshore. The company was founded in 1981. Topaz has fleet of 99 offshore support vessels. Current contract backlog is US$1.5bn.

Free cash flow generation was negative in Q4 on the back of increased A/R. We maintain Outperform rating and expect to see a lift in EBITDA from TCO project but modest improvement in FCF as customer advances reverse.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
TPZMAR 9.125% 07/26/2022	$375	B3/ B-/	104.56	7.85%

PROS

- Brent has rallied to its highest since mid-2015
- TCO project, sponsored by KazGas and Chevron, expected to nearly double EBITDA
- TCO investment funded by customer advances
- Leading position in the Caspian Sea with high barriers to entry
- Leading sector backlog with US$1.5bn - blue chip customer list
- Steady improvement of fleet utilization
- Positive outlook for Africa - mobilized additional tonnage into the region to meet demand
- No Lost Time Incidents (LTIs) during the past 24 months and no recordable injuries in Q4

CONS

- Negative FCF in Q4
- Challenging market conditions as a result of the investment and cost-cutting measures at oil companies worldwide
- Significant secured indebtedness ranking senior to the bonds
- 70% of total revenue being contributed from its top four customers
- The Caspian business is the only profitable segment
- Large working capital liabilities will amortize when TCO project is fully operational

MARKET
OUTPERFORM (MIDDLE EAST):

TPZMAR 9.125% 22s

Recent Earnings and Main Highlights:

- Revenue increased by 14% q/q to US$68mm on the back of higher results from Caspian, which share revenue increased to 78% from 76% q/q
- Loss for period increased to US$79mm compared with a loss of US$24mm a quarter ago driven by impairment losses as the fleet was marked to market.
- EBITDA for 4Q17 was stable sequentially at US$30mm but down 12% y/y
- EBITDA margin declined to 44% in 4Q17 from 51% a quarter ago
- Net leverage was broadly stable 5.6x vs 5.5x a quarter ago
    - Cash increased by 52% q/q to US%78mm after company drew US$25mm from its US$100mm committed secured RCF due to cash burn in the quarter
- Simplified FCF was negative to US$14mm vs positive US$12mm a quarter ago as capex increased by 50% q/q to US$55mm and interest payments increased by 130% q/q to US$29mm
    - Early commencement of its strategic Tengiz project with two vessels in operation during 2017 - six months ahead of schedule
    - Despite large customer advances, working capital was not able to offset capex in the quarter as receivables increased

TOPAZ (US$ MM)	4Q17	4Q16	3Q17	y/y	q/q
Revenue	68	66	60	3%	14%
EBITDA	30	34	30	(12%)	(1%)
EBITDA margin	44%	52%	51%	(15%)	(13%)
Profit/(Loss)	(79)	(98)	(24)	(20%)	223%

TOPAZ (MM US$ MM)	4Q17	4Q16	3Q17
Total Debt	741	726	723
Cash	78	39	51
Net Debt	663	686	672
Gross Leverage (Total Debt / LTM EBITDA)	6.3x	5.0x	5.9x
Net Leverage (Net Debt / LTM EBITDA)	5.6x	4.7x	5.5x

TOPAZ (MM US$ MM)	4Q17	4Q16	3Q17
EBITDA	30	34	30
Interest	(29)	(23)	(13)
Working Capital	44	71	35
Capex	(55)	(60)	(37)
Taxes	(4)	(4)	(4)
FCF	**(14)**	**18**	**12**

MARKET UNDERPERFORM

ARGENTINA

ARCOR 6.625% 23s

BRAZIL

MRFGBZ 8% 23s

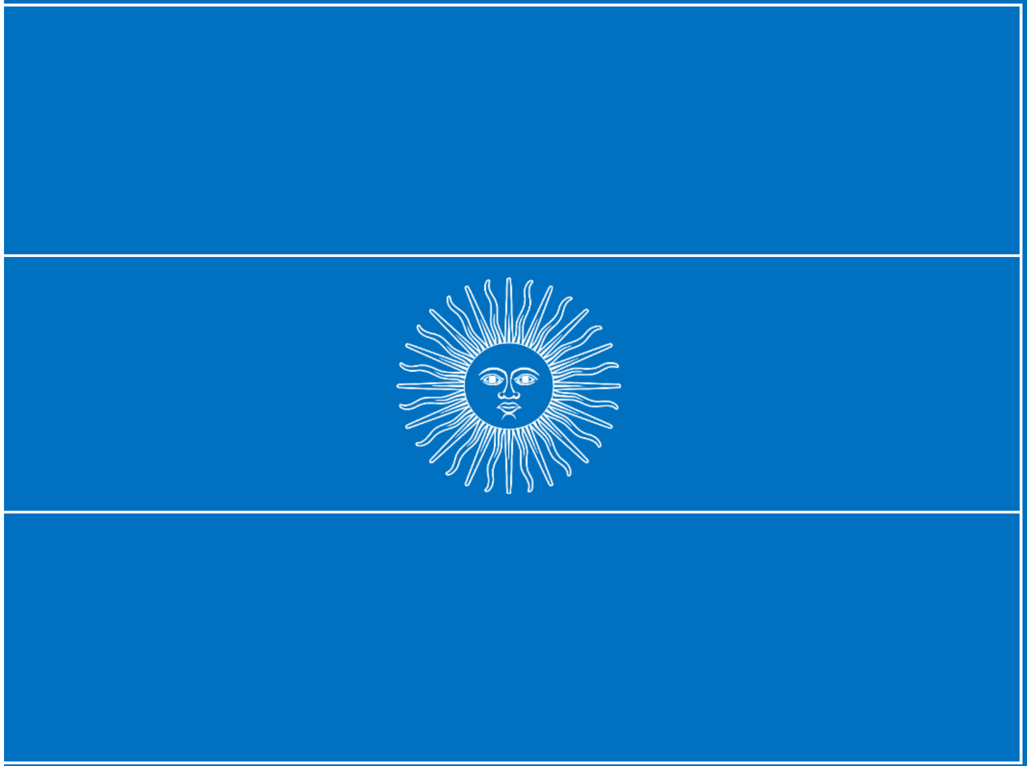
CHILE

AES 7.75% 24s

CENSUD 4.875% 23s

MEXICO

ALPEKA 5.38% 23s



ARGENTINA

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Grupo Arcor is a leading confectionary and food company in Argentina, the largest caramel producer in the world and the main candy exporter of Argentina, Brasil Chile and Peru. Additionally, through Bagley, where Arcor has 51% ownership, the company is one of the market leaders in the cookies and cereal production in Latin America. Further, with the recent agreement with Mastellone, the company will become the main shareholder of the leader dairy products producer in Argentina.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ARCOR 6% 09/27/2023	$500	Ba3/-/BB+	103.88	5.15%

Pros

- International presence, with 40 plants distributed in Latin America, exporting to more than 120 countries
- Solid brand reputation
- Vertically integrated. Zucamor purchase in 2017 the company moved forward in self supply of key raw materials (packaging, bottles and corrugated boxes)
- Rated above sovereign ceiling by both Moody's and Fitch as cash generated from exports and cash held abroad is more than enough to cover USD debt service

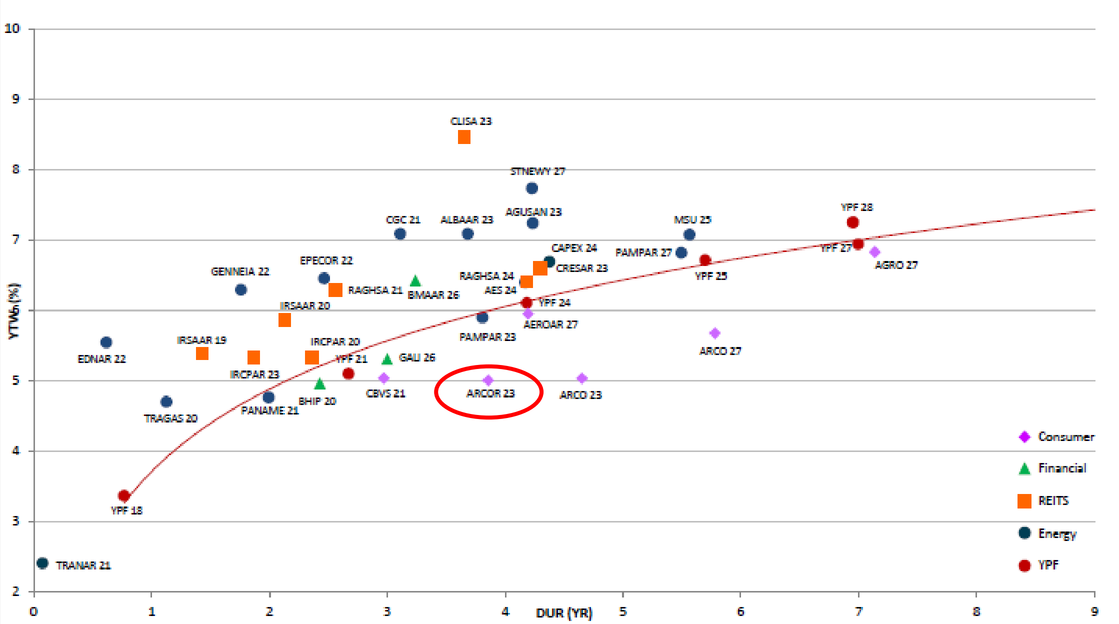
Cons

- Our thesis is based on current yield: with FED raising rates three time this year we do not see attractiveness in owning an Argentine corp yielding 5% on a 4 year duration bond
- Most of its plants are based in Argentina. Including exports, Argentina accounts for 96% of consolidated EBITDA. Only 10% of sales are exported.
- Challenging environment in Brazil, were EBITDA has been negative since 1Q15
- 60% of its production costs refer to salaries, mainly from Argentina, were high inflation keeps pressuring margins (EBITDA margin deteriorated to 9.9% in 2017 from 11.5% in 2015)
- Recent acquisitions resulted in higher leverage (LQA 4Q17: 3.3x net). Full purchase of Mastellone could further increase leverage if fully funded with debt, though if funded with own cash generation should lead to an improvement as Mastellone's net leverage was 1.9x in 4Q17).
- Mastellone results are subject to volatility of international milk prices

MARKET
UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Argentine Corporates USD curve



Source: BBG as of 4/2/2018

BCP Top Picks/ 04/02/2018

MARKET
UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Summary of 4Q17 results:

- Revenue increased 32% y/y to AR$13.0bn (US$742mm), mainly due to the purchase of Zucamor in Jul-17
    - Sequentially, revenue decreased 4%, mainly on lower chocolate and cookie revenue in Argentina
- EBITDA grew 80% y/y to AR$988mm (US$56mm), though decreasing by 43% q/q, as revenue decreased while COGS remained unchanged and SG&A increased 2%
- EBITDA margin contracted 420bps y/y to 7.6%
- Total EBITDA of US$291mm for 2017, generally in line with management expectation of US$300mm
- Free cash flow generation of AR$238bn (US$14mm) due to positive working capital. Burn of AR$115mm ex-WK
- Gross debt increased 10% q/q to AR$16.5bn (US$893mm), while LQA net leverage deteriorated to 3.5x from 3.3x one year ago
- LTM net leverage of 2.6x

ARCOR (US$ MM)	2017	4Q17	3Q17	2Q17	1Q17	4Q16
Revenues	2,943	742	784	719	592	636
EBITDA	*291*	*56*	*100*	*61*	73	36
EBITDA margin	9.9%	7.6%	12.8%	8.4%	10.5%	5.6%
Capex	(296)	(35)	(152)	(42)	(63)	(37)
Working Capital	(8)	20	(31)	48	(45)	(5)
Interest paid	(83)	(16)	(28)	(15)	(23)	(12)
Tax payments	(64)	(12)	(15)	(25)	(13)	(19)
Free cash flow	**(160)**	**14**	**(126)**	**26**	**(72)**	**(37)**
Gross debt	893	893	865	796	660	599
Short-term	227	227	214	198	303	245
Long-term	666	666	651	597	357	353
Cash and equivalents	144	144	152	288	123	141
Net debt	749	749	713	507	537	458
LQA Gross leverage	3.1	4.0	2.2	3.3	2.3	4.2
LQA Net leverage	**2.6**	**3.3**	**1.8**	**2.1**	**1.8**	**3.2**

MARKET
UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

AGREEMENT ARCOR AND MASTELLONE

- Until 2020 Mastellone and Dallpoint (shareholder of Masher) have put options to sell shares to Arcor and Bagley but must keep a combined 51% ownership
- After 2020 and until 2025, Arcor and Bagley will have call options to own 100% of total capital stock
- Current Arcor ownership is 40.24%
- Purchases:
    - Nov-17: 1.85% for US$5mm (US$2.7mm for every 1%)
    - Apr-17: 4.86% for US$13.76mm (US$2.8mm for every 1%)
    - Jan-17: 8.5% for US$35mm (US$4.1mm for every 1%)
    - Dec-15: 25.0% for US$60mm (US$2.4mm for every 1%)
- Assuming an average price of US$3.0mm, for the remaining 59.8%, total cost will be US$179mm
- Consolidating MASHER and assuming US$179mm will be funded with debt issuance, pro forma net leverage at consolidated 4Q17 debt and EBITDA would be 3.6x (up from Arco's 3.3x at 4Q17)
    - Should the purchase of the remaining stake be funded with own cash generation, pro forma net leverage would be 3.0x
- We acknowledge this transaction is unlikely to happen before 2020. Actual numbers can differ from these calculations

MASHER (US$ MM)	2017	4Q17	3Q17	2Q17	1Q17	4Q16
Revenues	1,347	320	341	373	314	304
EBITDA	*97*	*19*	*31*	*32*	14	7
Free cash flow	**(2)**	**(43)**	**22**	**25**	**(3)**	**(41)**
Gross debt	198	198	202	196	205	201
Cash and equivalents	51	51	89	65	44	13
Net debt	147	147	113	131	161	188
LQA Gross leverage	2.0	2.6	1.6	1.5	3.7	7.7
LQA Net leverage	**1.5**	**1.9**	**0.9**	**1.0**	**2.9**	**7.2**

ARCOR + MASHER (US$ MM)	2017	4Q17
Revenue	4,290	1,062
EBITDA	*388*	*75*
Gross debt	1,270 (*)	1,270 (*)
Cash and cash equivalents	195	195
Net debt	1,075	1,075
LQA Gross leverage	3.3	4.2
LQA Net leverage	**2.8**	**3.6**

(*) Arcor + Masher + US$179mm to fund remaining Masher stake

BRAZIL

MARKET
UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Marfrig is a multinational company with operations in the food and food service sectors in Brazil and around the world. Current businesses are: (i) Marfrig Beef and (ii) Keystone, US-based poultry products.

Marfrig has a low interest coverage ratio, implied funding cost nearly double stated average debt cost, high leverage (4.5x and 4.75x covenant), and ongoing FCF burn, due to operational cash flow (OCF) being half of stated EBITDA. We reiterate MRFGBZ23s 'Underperform'

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
MRFGBZ 8% 06/08/2023	$1,000	B2/ B+/ BB-	101.13	7.73%

Pros

- Sound results in Keystone (despite weak Q4)
    - Keystone started the process of an IPO in the US
    - We acknowledge that an IPO completed at an elevated multiple may be seen as a positive development
        - Marfrig's pro forma net leverage could reach 3.5x
    - Given the very weak consolidated fundamentals, we see a lot of optimism already in the bond price

Cons

- Keystone IPO once again delayed
- Prospects for margin erosion in Brazil due to increased capacity
- 4Q17 showed negative results, continued cash burn and higher leverage than expected – close to maintenance covenant limits
- Reported EBITDA vastly exceeds cash from operations
- OCF < interest burden
    - Working capital was no longer a benefit to support FCF as it did in 2016
- With Keystone sale, standalone Marfrig appears to be very weak
- According to local press (Epoca Magazine), Marfrig's owner admitted (without a plea bargain) to third party payments in order to access loans from state bank, Caixa Economica Federal

MARKET UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Marfrig (US$ MM)	2017	4Q17	3Q17	4Q16	q/q	y/y
Revenue	**5,817**	1,631	1,529	1,579	7%	3%
Adjusted EBITDA	**535**	152	155	120	(2%)	27%
Interest	**251**	59	60	85	(2%)	(31%)
Capex	**258**	76	89	55	(15%)	38%
Taxes	**78**	73	5	-	1326%	
FCF bef WK	**(51)**	(56)	1	(21)		171%
WK variation	**(216)**	(57)	(122)	153	(53%)	(137%)
FCF after WK	**(267)**	(113)	(121)	132	(7%)	(186%)
EBITDA Margin	**9.2%**	9.3%	10.1%	8%	(8%)	23%
Gross Debt	**3,753**	3,753	3,659	3,425	3%	10%
Cash	**1,329**	1,329	1,432	1,622	(7%)	(18%)
Net Debt	**2,423**	2,423	2,227	1,804	9%	34%
LQA Leverage	**7.0**	6.2	5.9	7.2		
LQA Net Leverage	**4.5**	4.0	3.6	3.8		

Recent Earnings and Main Highlights:

- 4Q17 revenue was 3% below Bloomberg consensus, at US$1.6bn (R$5.3bn), supported by the beef division
- 4Q17 adjusted EBITDA reached US$152mm (R$493mm), 2% above consensus and 27% higher y/y in USD terms
    - Keystone's EBITDA had a 4% reduction y/y
- As we have been highlighting, cash from operations (NI + non-cash adjustments) was only slightly more than half of EBITDA, totaling US$84mm (R$274mm)
- Cash burn for the quarter and the year, at US$113mm, mainly on the back of non-recurring taxes, high levels of capex and WK expansion
    - Negative FCF was impacted by adherence to PERT, the renegotiation of federal tax liabilities in litigation
        - R$252mm was paid in 2017, with the remaining of R$490mm to be paid in 145 monthly installments starting January 2018
    - WK requirement of US$57mm, with continued adjustments in inventories and higher A/R
    - Capex totaled US$76mm, up 38% y/y
        - Thailand plant began operations in 4Q17 and is currently in the ramp-up phase
- Gross debt stood at US$3.75bn, +3% q/q and cash decreased by 7% q/q, to US$1.3bn
- Net leverage increased to 4.0x (annualized) from 3.6x in 3Q17, contrary to management's expectation of sequentially stable leverage
    - 2017 net leverage reached 4.5x
        - Covenant limit of 4.75x for LTM net leverage

MARKET UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

Guidance 2018:

- 1Q18 - pressured beef margins
- FY18 Positive FCF, supported by:
  - R$550mm-R$600mm capex (down 30% y/y)
  - WK reversal
- FY18 2.5x net leverage
- Keystone IPO

- Management guidance is coherent – provided EBITDA will represent cash generation
- As per below, we see large finance related cash expense which drive OCF to half of stated EBITDA levels on average
- If this dynamic continues, we think management FCF guidance will be challenging to achieve – yet again

Adjusted EBITDA vs Operating Cash Flow

2017 (R$ MM)	Net Income +/- Non Cash Items	Adj. EBITDA
"Cash from Operations"	918	1,708
Interest	(801)	(801)
Capex	(824)	(824)
Taxes	(318)	(318)
WK variation	(688)	(688)
FCF	**(1,714)**	**(923)**

- **On average, net income +/- by non cash items is half of adjusted EBITDA**
- **EBITDA has proven to be an inaccurate measure of cash flow generation**

Implied Funding Cost – 6.4% or 12.5%

2017 (R$ MM)	
Financial Result ex exchange variation (from Income Statement)	(1,718)
Non Cash Interest Expenses (from Cash Flow Statement)	970
Implied Cash Financial Expense (Income Statement)	(748)
Interest Paid (from Cash Flow Statement)	(801)
Total Cash Interest and Financial Expense	**(1,549)**
Gross Debt	12,427
Implied Funding Cost	**12.5%**
Stated Average Debt Cost	6.4%

MARKET
UNDERPERFORM (BRAZIL):

MRFGBZ 8% 23s

KEYSTONE - MC DONALD'S MAJOR SUPPLIER

Marfrig announced its intention to sell a portion of its holdings. SEC documents were filed in May, 2017, but not public, yet

Timeline was postponed several times, targeting July 2017, November 2017 and now 1H18

Key Assumptions

- ***10x multiple***
- ***30% sale***

Marfrig Pro Forma

- New cash raised: US$555mm
- Pro forma consolidated cash (Marfrig): US$1.9bn
- Current consolidated gross debt: US$3.75bn
- Pro forma consolidated net debt: US$1.6bn
- **Net leverage: 3.5x (down from 4.5x)**
- **Market value of Keystone could be 2/3 of net debt**

➢ We acknowledge that an IPO completed at an elevated multiple may be seen as a positive development

Keystone (US$ MM)	4Q17	3Q17	2Q17	1Q17	4Q16	y/y	q/q
Revenue	705	713	697	667	712	(1%)	(1%)
USA	480	486	480	471	500	(4%)	(1%)
APMEA	225	228	217	197	212	6%	(1%)
Cash COGS	644	635	628	604	646	0%	1%
Volume (k tons)	289	286	280	278	305	(5%)	1%
USA	232	229	226	227	249	(7%)	1%
APMEA	57	58	55	51	56	2%	(1%)
Price (US$/Kg)	2.44	2.49	2.5	2.4	2.34	4%	(2%)
USA	2.07	2.12	2.13	2.07	2.01	3%	(2%)
APMEA	3.94	3.96	3.97	3.84	3.8	4%	(1%
EBITDA	66	80	71	65	69	(4%)	(17%)
EBITDA Margin	9%	11%	10%	10%	10%		

CHILE

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

AES Gener, 66.7% owned by The AES Corporation. The company generates and sells electricity in Chile, Colombia and Argentina. With a total installed capacity of 5,813MW it is the second largest electricity generation group in Chile in terms of generation capacity with 30% of share, and with a market cap of US$2.4bn.

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
AES 5.00% 07/14/2025	$172	Baa3/BBB-/BBB-	100.50	4.92%

Pros

- Geographical diversification with operations in Chile, Colombia and Argentina, though Chile accounts for 70% of EBITDA
- Diverse portfolio of generation assets, including hydrological and thermal generation plants
- Practically its entire revenue generation is linked to USD
- Most of its revenue is made through long-term contracts with regulated and unregulated customers and with prices constantly review for changes in fuel prices
- Sound customer base, particularly mining companies in the SING (Northern Chile)

Cons

- Possible rating downgrade as a result of deteriorating credit metrics and Alto Maipo delays
- Most of the company's generation in Chile is from coal plants, subject to coal prices, where increases might not be passed-through to customers
- Increase in energy generation from renewable sources in Chile (mostly solar) could lead to downward pressure on bid prices for Chilean regulated contracts (25% of consolidated revenue, mostly SIC system), and with unregulated customers (45% of consolidated revenue, mostly SING system) renegotiating lower prices.
- Last public bid awarded regulated contract at historical low prices (US$25.4/MWh), nearly half the price of previous bid.
- Interconnection between SIN and SING could lead to further pricing pressure as solar plants are installed in Northern Chile and should be able to start bidding for regulated contracts for Center Chile, where most of the population lives

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

AES GENER 4Q17	EBITDA
SIC (Chile)	44%
SING (Chile)	37%
SIN (Colombia)	13%
SADI (Argentina)	6%

81% of EBITDA from Chile

Revenue breakdown in Chile:

SIC 4Q17 revenue: 52% regulated customers, 41% unregulated, rest spot
SING 4Q17 revenue: 83% unregulated, rest spot

Regulated customers: long-term PPA in USD awarded through public bids with semi-annuals prices reviews, mostly based on fuel prices

Unregulated customers: USD contracts with terms and indexation negotiated directly between generator and customer, usually with monthly price reviews

Main regulated contracts as of May-15	Contracted capacity (MW)	Price as of May-15 (US$/MWh)	Expiration
Chilectra	53	90.5	2020
Chilectra	160	90.0	2022
Chilectra	340	90.2	2023
Chilquinta	210	114.8	2023
EMEL	78	105.3	2024
EMEL	138	90.8	2024

Recent trends on energy prices in Chile:

Nov-17: public bid in Chile awarded 2,200GwH to serve regulated customers starting Jan-2024

Average price of US$32.5MWh, lowest value since bids started in 2006

Prior awarded price was US$47.6MW/h in Aug-17

Lowest bid from "Energia Renovable Verano Tres", which won 25% of total bid for US$25.4/MWh. Lowest historical price ever seen in LatAm

Bids came from renewable energy projects

Spot prices (US$/MWh)	4Q17	2017	2016	2015	2014
SIC	37.7	57.0	61.0	88.6	131.0
SING	58.7	56.1	61.6	57.3	75.6

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

ALTO MAIPO PROJECT

- Originally budgeted at US$2bn
- Project is 2/3 completed, now in technical default following the contract termination due to a breach of contract – suspended since Jun-17
    - Alto Maipo subsidiary holds assets of US$1.4mm (book value)
- AES Gener has invested US$536 mm to date
- Gener's equity commitment to the project totals US$619 mm (including an US$83 mm contribution still pending) - 22% of the company's total equity
- Gener's local bonds include a financial covenant to maintain minimum shareholder's equity of at least US$1.57 bn
- Alto Maipo's financial debt, US$613mm, must be reported as a current liability on the balance sheet as long as the technical default state persists
- The technical default has no legal implications for holdco as Alto Maipo debt is nonrecourse
- AES Gener signed a fixed-price EPC contract with builder Strabag for the full scope of the project (pending project lenders approval)
    - Geological and construction risks were transferred to Strabag
- The new contract establishes additional concessions from project lender and contributions from AES Gener tied to certain milestones
- AES Gener is now in negotiations with the project lenders to define timeline, contributions and possibly a debt haircut to proceed with construction
- Company expects to resolve negotiations by 2Q18
- Management reported negotiation might result in additional cost not yet quantified

Rating action followed:

- Moody's lowered its outlook from stable to negative
- Fitch Ratings placed AES Gener on Negative Rating Watch
    - Maintained negative watch Jan-2018

Rating Agencies may take further action:

FITCH AUGUST 2017

- Given aggressive expansion plan, Fitch expects company's credit to remain pressured in the short-to-mid-term
- Negative watch will be resolved once Alto Maipo's case has a clear resolution
- Debt-to-EBITDA ratio above 4.5x-5x negatively perceived by Fitch
- Additional delays on Alto Maipo and significant cost overturns will also be negatively perceived

FITCH JANUARY 2018

- Fitch maintained negative watch awaiting final decision on Alto Maipo – negative watch won`t be reviewed until a conclusion has been announced
- Though, acknowledged agreement with Strabag has been a positive development for the project

MOODY'S AUGUST 2017

- Additional delays on Alto Maipo and significant cost overturns will be negatively perceived
- Gener's rating could be downgraded if debt/EBITDA and FFO/debt remains above 4.0x and below 18%, respectively, after 2018
- Gener's inability to maintain its long-term contracted operations, and/or if it re-contracts at prices significantly below US$60/MWh (2018 real prices) is also likely to trigger downward pressure on the rating

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Summary of 4Q17 results:

- 4Q17 revenue increased 18% y/y and 8% q/q to US$665mm, mainly driven by strong performance from the SIC (59% of total revenue) and SING (34% of total revenue)
- We highlight that effective Nov-17, the two systems were unified creating the SEN system
- EBITDA followed, up 12% y/y and 27% q/q, to US$231mm
- Strong EBITDA came on top of improvements on operations in Chile (81% of total EBITDA)
- SIC up 23% y/y and 136% sequentially, while SING up 18%, annually and sequentially
- AES Gener generated US$43mm of cash, a sequential deterioration as capex normalized from 3Q17
- Total debt decreased to US$3.7bn, down 6% q/q as AES Gener bought back US$328mm of principal associated to its 2021s and 2025s bonds
- Stronger EBITDA helped improve net leverage (LQA) to 3.6x, from 4.9x in 3Q17
- LTM net leverage stood at 4.2x
    - Key improvement to maintain IG, rating agencies expects company to present gross leverage below 4.0x-4.5x (now at 4.0x LQA and 4.2x LTM)
- Committed to maintain IG status, AES Gener followed divestment plan accepting offer to sell 750MW worth of assets under ESSA for US$300mm
- Expected to close the deal in April as proceeds will be used to pay debt
- Also, the company launched process to sell part of its transmission assets (316kms), value was not disclosed

AES GENER (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Revenue	665	615	564	8%	18%
EBITDA	231	182	207	27%	12%
EBITDA Margin	34.8%	29.6%	36.7%		

AES GENER (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	3,741	3,971	3,824	(6%)	(2%)
Cash	392	391	470	0%	(17%)
Net Debt	3,349	3,580	3,354	(6%)	(0%)
Leverage (Total Debt / LQA EBITDA)	4.0	5.4	4.6		
Net Leverage (Net Debt / LQA EBITDA)	3.6	4.9	4.1		

AES GENER (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Adjusted EBITDA	231	182	207	27%	12%
- capex	115	(11)	112		3%
- interest	69	26	51	163%	34%
- taxes	5	30	5	(85%)	(14%)
FCF (pre WK)	**43**	**137**	**38**	(69%)	12%

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Cencosud S.A. is one of the largest retail conglomerates in Latin America, with operations in Chile, Argentina, Peru, Brazil and Colombia. Chairman Horst Paulmann and his family, combined, own a 53.36% stake in the group. Cencosud operates under various retail formats, including supermarkets, home improvement stores, shopping malls and department stores. The company is listed in the Santiago stock exchange with a current market cap of US$8.7bn

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CENSUD 4.875% 01/20/2023	$943	Baa3/-/BBB-	103.31	4.10%

Pros

- Multi-format, multi-brand with geographical diversification (operates in 5 countries in different segments)
- Investment Grade rating since 2011 - Fitch Ratings: BBB- (stable) - Moody's: Baa3 (stable)
- Plans of non-core asset divestment to improve leverage
- High-level of unencumbered assets
- Around 80% of USD debt is hedged

Cons

- Investment grade status might be threatened if management fails to reduce leverage in 2018
- Slow economic growth in Latin America and high inflation in markets such as Argentina
- Subject to f/x risk on revenue and costs as operations are conducted mostly in local currencies
- Poor performance in Brazil operations continues
    - Exposure to financially troubled states
- Postponement of shopping malls IPO, that could've accelerated deleveraging
- LTM net leverage at 4.3x, within trigger levels for downgrade

MARKET UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Weak results threatening investment grade:

- Cencosud's focus has been on deleveraging and maintaining its investment grade following weak results
- US$1bn asset divestment plan announced in August
  - Sale of up to US$1bn in non-core assets within the next 12-18 months
  - Not specified which assets will be sold yet
- Company estimates 2.4x net leverage by end 2018
- At 4Q17 gross and net debt and 2018 guided EBITDA, gross and net leverage equals 4.3x and 4.0x respectively
  - Accordingly, deleveraging is dependent on the company's commitment to divest US$1bn in non-core assets
- Management expects divestment to be executed in a 12-18 month timeframe from announcement though not much was seen yet

Factors that could lead to negative rating action:

FITCH JULY 2017
- Sustained negative FCF
- Group's EBITDA margin consistently below 7% (LTM at 8.5%)
- Adjusted gross leverage - excluding banking operation (Banco Peru) sustained above 4.5x (LTM at 4.3x)

MOODY'S JULY 2017
- Leverage remains high over a prolonged period, such that adjusted Debt/EBITDA remains above 4.0 times and/or if the company's operating performance experiences a significant deterioration

PEER COMPARISION	CENCOSUD	FALABELLA	IRSA
Coupon	4.875%	3.750%	8.750%
Maturity	2023	2023	2023
Amount (US$ MM)	943	500	360
Mid-Yield	4.10%	3.73%	5.33%
Rating(M/SP/F)	(Baa3/-/BBB-)	(-/BBB+/BBB+)	(-/B/B+)
Spread to Sovereign	103	68	140
Country	Chile	Chile	Argentina

4Q17 (US$ MM)	CENCOSUD	FALABELLA	IRSA
Revenue	4,496	3,965	61
EBITDA	381	610	46
EBITDA Margin	9%	15%	75%
Free Cash Flow	187	311	19
Gross Debt	5,155	5,815	544
Cash	401	366	335
Net Debt	4,754	5,449	209
LQA Gross Leverage	3.4	2.4	3.0
LQA Net Leverage	3.1	2.2	1.1

MARKET
UNDERPERFORM (CHILE):

CENSUD 4.875% 23s

Summary of 4Q17 results :

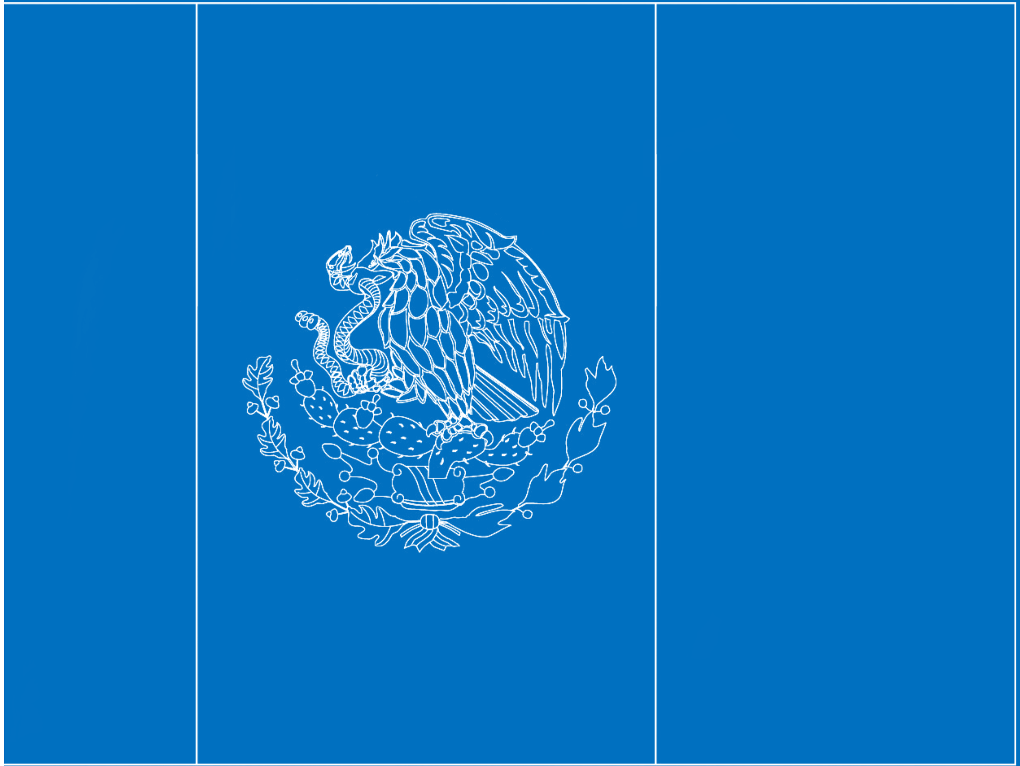
- Revenue remained flat y/y, increasing 14% q/q to US$4.5bn, missing consensus by 1%
- Slight higher sales on Chile (+3%y/y), Argentina (+2% y/y) and Peru (+1% y/y) were offset by operations in Brazil (-5% y/y) and Colombia (-9% y/y)
- Also, the depreciation of local currencies against the CLP impacted negatively results, on constant FX, revenue increased 6% y/y
- Adjusted EBITDA increased 10% y/y and 65% q/q with improved growth from malls (+11% y/y) and the financial segment (+44% y/y)
- 4Q17 Adj EBITDA : 60% Chile, 26% Argentina, 10% Peru, 5% Colombia and -0.5% Brazil
- Management expects to be breakeven in Brazil in 2018 from negative US$42mm in 2017
- Management guided EBITDA of US$1,188 for 2018 (vs US$1,030mm in 2017)
- Company managed to get back to FCF (pre WK) positive, at US$187mm, after burning cash in 3Q17
- Total debt decreased 4% q/q to US$5.2bn
- Cash positioned improved significantly, up 74% q/q
- On improved liquidity and stronger EBITDA, net leverage (LQA) improved to 3.1x, from 5.5x in 3Q
    - Net leverage LTM stands at 4.3x
- Rating agencies have previously stated EBITDA Margin below 7% (8.5% in 4Q17), gross leverage above 4.0x-4.5x and continuous cash burn could lead to a downgrade
- 2018 guidance: US$16.5bn revenue on 7.2% EBITDA Margin
    - US$1,188mm EBITDA (up 15% vs FY2017) and US$400mm capex (up 32% vs FY2017)

Cencosud (US$ MM)	4Q17	BBG Estimate	+/-	3Q17	4Q16	q/q	y/y
Revenue	4,496	4,523	(1%)	3,940	4,498	14%	(0%)
Adjusted EBITDA	381	353	8%	231	348	65%	10%
EBITDA Margin	8.5%	7.8%		5.9%	7.7%		

Cencosud (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	5,155	5,349	5,245	(4%)	(2%)
Cash and Cash Equivalents	401	230	434	74%	(8%)
Net debt	4,754	5,120	4,811	(7%)	(1%)
Leverage (Total Debt / LQA EBITDA)	3.4	5.8	3.8		
Net Leverage (Net Debt / LQA EBITDA)	3.1	5.5	3.5		

Excluding Banco Paris and Banco Peru (Debt and Cash Equivalents)

Cencosud (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
EBITDA	381	231	353	65%	8%
- capex	93	72	111	30%	(16%)
- interest	58	124	77	(53%)	(24%)
- taxes	42	69	31	(39%)	34%
FCF (before WK)	187	(33)	134		



MEXICO

MARKET UNDERPERFORM (MEXICO):

ALPEKA 5.38% 23s

ALPEK is one of the largest polyester producers in North America. Alpek's total debt has increased significantly as profitability declined, straining FCF and coupled with heavy capital commitments of nearly US$1 bn. Current cash levels will finance a Brazil acquisition and current FCF generation seems insufficient to cover the balance. The company expects to prevent a potential IG downgrade through asset sales. We highlight the underperform call is more focused on ALPEKA 23s trading at only 109 bps over the sovereign, with the added uncertainty of Mexico's economy and US rates – rather than the potential downgrade risk.

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
ALPEKA 5.38% 08/08/2023	$300	Baa3/BBB-/BBB-	103.38	4.64%

Pros

- Alpek is one of the largest polyester producers in North America with 23 plants across Mexico, Canada, the US, Brazil, Chile and Argentina
- Sole supplier of propylene in Mexico
- 90% of products focused on food, beverages and consumer goods
- Only 32% of 4Q17 sales were in Mexico
- Natural hedge as products follow international pricing
- Ongoing growth capex plans and engaging in strategic acquisitions
- The conglomerate Alfa has an 82% stake in Alpek
- Already in "due diligence" talks to monetize the two cogeneration plants

Cons

- Exposed to a cyclical business nature and dependent on the global economy, including oil and energy prices
- Dependent on Pemex supply for natural gas in Mexico
- Profitability margins are below domestic and international competitors
- Continued high capex and divided burdens
- Total debt increased significantly in 2017 to US$1,746 mm (47% y/y)
- High capital commitment pipeline for US$925 mm, excluding any future growth capex plans:
    - US$385 mm for the Brazil acquisitions payable at closing date
    - US$375 mm for a 33% stake in an incomplete M&G plant
    - US$165 mm in additional capex to complete the M&G plant
- Alpek committed US$160 mm in secured loans provided to M&G Mexico in order to restart operations after the 3Q17 stoppage

MARKET UNDERPERFORM (MEXICO):

ALPEKA 5.38% 23s

Recent 4Q17 Earnings:

- 4Q17 Revenue increased by 12% y/y to US$1,321 mm, beating the BBG consensus by 11%
    - Polyester sales increased by 10% y/y to US$933 mm, decreasing by 1% sequentially
        - Driven by higher pricing as volumes remained flat y/y and decreased by 5% q/q
    - Plastics and Chemicals sales increased by 17% y/y and 6% q/q
    - Foreign revenues accounted for 67% of total sales
- Clean EBITDA increased by 6% y/y to US$124 mm, beating the BBG consensus by 6% as well
    - EBITDA y/y growth was driven by Chemicals as feedstock prices increased, Polyester EBITDA was flat y/y
    - Sequential EBITDA recovery was due to the M&G plant restart in Mexico
- EBITDA margin declined to 9%, compared to 10% in 4Q16
- FCF was US$30 mm, driven by lower capex and working capital
    - Capex was focused on cogeneration plants
    - Working capital contracted due to trade payables
- Total debt increased to US$1,746 mm, while cash increased to US$484 mm
- Annualized gross and net leverage are 3.5x and 2.5x, respectively
- 2018 guidance:
    - 3% volume and revenue growth to US$5,413 mm
    - 48% EBITDA recovery to US$569 mm

ALPEK (US$ MM)	4Q17	BBG consensus	% dif	3Q17	4Q16	q/q	y/y
Total Revenue	1,321	1,194	11%	1,312	1,184	1%	12%
Adj. EBITDA	124	117	6%	108	117	15%	6%
EBITDA margin	9%	10%	-	8%	10%	-	-

ALPEK (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Total Debt	1,746	1,639	1,184	7%	47%
Cash & Equivalents	484	447	142	8%	241%
Net Debt	1,262	1,192	1,042	6%	21%
Total Debt / LQA EBITDA	3.5x	3.8x	2.5x	-0.3x	1.0x
Net Debt / LQA EBITDA	2.5x	2.8x	2.2x	-0.2x	0.3x

ALPEK (US$ MM)	4Q17	3Q17	4Q16	q/q	y/y
Adj. EBITDA	124	108	117	15%	6%
Interest paid	(23)	(13)	(19)	(77%)	(22%)
Capex	(29)	(65)	(75)	55%	61%
Working capital	(33)	(74)	(75)	55%	56%
Taxes paid	(9)	(19)	(22)	50%	58%
FCF	**30**	**(62)**	**(73)**	-	-

MARKET
UNDERPERFORM (MEXICO):

ALPEKA 5.38% 23s

Recent 4Q17 Earnings - continued:

- Alpek agreed to purchase a 33% stake in a bankrupt M&G plant in Texas, currently expected to finish construction until 2021
  - The JV formed by Alpek and 2 other companies agreed to purchase the plant for $1,125 mm and will require an additional US$500 mm in capex to complete
- Alpek received the Brazilian CADE approval to acquire Petrobras 100% stake in 2 polyester companies for US$385 mm on a debt-free basis
  - This amount is payable on closing date
- Furthermore, Alpek has US$160 mm invested in M&G Mexico:
  - Alpek acquired US$100 mm loan secured by a first lien on the M&G plant from Inbursa
  - Alpek agreed to provide a US$60 mm 2-year loan to M&G secured by the same plant
  - Alpek halted its PET supply to M&G Mexico in 3Q17 as the plant stopped making interest payments resulting in a US$113 mm A/R provision charge

(US$ MM)	ALPEK	MEXICHEM	BRASKEM	PETKIM
	4Q17	**4Q17**	**3Q17**	**4Q17**
Total Revenue	1,321	1,468	3,788	516
Adj. EBITDA	124	277	868	121
Interest paid	(23)	9	(148)	1
Capex	(29)	(86)	(241)	(35)
Working capital	(33)	309	(159)	(62)
Taxes paid	(9)	18	(23)	(13)
FCF	**30**	**527**	**297**	**12**
Total Debt	1,741	3,256	7,760	776
Cash	484	1,900	2,219	384
Net Debt	1,257	1,356	5,541	392
Total Debt / LQA EBITDA	3.5x	2.9x	2.2x	1.6x
Net Debt / LQA EBITDA	2.5x	1.2x	1.6x	0.8x
EBITDA margin	9%	19%	23%	23%
Rating	Baa3/BBB-/BBB-	Baa3/BBB-/BBB	-/BBB-/BBB-	B1/ - /B
Maturity	2023	2022	2023	2023
Mid YTM	4.65%	4.22%	4.51%	6.30%
Spread to Sovereign (bps)	**109**	**64**	**67**	**356**

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DISCLOSURE APPENDIX

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