ECONOMIC OUTLOOK AND EMERGING MARKETS TOP PICKS: 3Q'19

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Argentina: Peronism 101 – Dr. Walter Molano, Ph.D.
EM Corporate Highlights – Corporate Research
Top Picks for 3Q19 – Corporate Research

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OUTPERFORM
UNDERPERFORM
SWAP

ARGENTINA: PERONISM 101

What is Peronism? At a very simple level, it is nothing more than populism. This is the application of policies that appeal to the lowest common denominator. Populism has no ideology, because the lowest common denominator differs across countries, and across time. For example, in Colombia, Israel and Brazil, the lowest common denominator is security. Often times, it is the redistribution of wealth or employment. Lately, immigration has become the lowest common denominator in many developed countries. However, in Argentina, the populist movement goes a step further because it is the embodiment of an individual, Juan Domingo Peron.

About a century ago, Argentina suddenly emerged as one of the wealthiest countries on the planet. Once a backwater of the Spanish colonial system, it was bereft of the precious metals that made the other Latin American colonies so important. Its open expanses of grasslands were suitable for cattle ranching, but their only exportable product was their leather hides. That is until the advent of steam transportation and refrigeration at the end of the 19th century. Newly constructed railroads moved cattle to the main ports, where they were butchered and their carcasses loaded into refrigerated cargoholds on steam ships that would race across the Atlantic. Overnight, Argentina became famously wealthy. Unfortunately, the wealth was not equally distributed. It was mostly concentrated in a small cadre of landowners. There was some demand for skilled labor, such as conductors, stevedores and abattoir workers. However, it was not enough to employ all of the throngs of Europeans that were escaping religious prosecution, as well as the unification upheaval in Germany and Italy. Penned into slums, these immigrants clamored for political and economic equality. Important advances on the political front were achieved by the Radical Party (UCR), but given the rent-seeking nature of the Argentine economy, nothing happened on the economic front. However, the situation changed radically with the onset of World War II. The demand for raw materials soared as the developed world ramped up its production of armament. War ravished Europe needed to import its food, and the U.S. had to feed its huge armies. Unlike Brazil, which joined the allies early on, Argentina sold commodities to both sides at exorbitant prices. In the process, the country found itself with a windfall. The central bank ran out of vault space, and it was forced to stack gold bars in the hallways. Running out of specie, the U.K. ran up enormous debts with Argentina. The so-called serial defaulter was now a mega creditor. It was in this context, that Juan Domingo Peron came into the presidency. Armed with a treasure trove of financial resources, Peron quickly used his windfall to buy up foreign assets. This created a golden opportunity to create a plethora of state-owned positions. He transformed the country from an export-based economy that was controlled by a tight-knit group of wealthy landowners, to an insular state-dominated economy supported by a new middle class. In other words, Peron was able to deliver what the Radicals had never been able to do. He provided economic equality, something that the middle class (as well as the political class) would never forget.

Therefore, Peronism is the embodiment of one of the most transformative political personas in Argentine history. He, along with his wife Evita, was able to help redistribute the riches of one of the wealthiest countries on the planet. Therefore, politicians who run under his name are a personification of the figure. The Peronist movement takes on the character of an almost semi-religious possession that not only appeals to the lower classes, but to large swaths of the middle class. This is the reason why politicians from the economic left and right will swear with equal conviction their commitment to Peronist ideals. It is also why 5 out of the six presidential and vice-presidential candidates for the upcoming election are Peronists. Moreover, it is the reason why the fact that President Mauricio Macri's ability to finish his term in office will mark a major milestone. It will be the first time in 75 years or since Peron first came into office, that a non-Peronist has been able to fully serve out their term, without having been forced out by a coup or an economic crisis

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Dr. Walter Molano, Ph.D.
June 24, 2019

EM HIGHLIGHTS 2Q'19

Argentina

- Lists were defined for Aug 11th primaries, with Macri running as President and Peronist Pichetto as his vice-president, while Cristina Fernandez will run as vice-president with Alberto Fernandez as presidential candidate and with Massa joining the coalition. Independent Peronists will be represented by Lavagna as presidential candidate and Urtubey as vice-president.
- 1Q19 fiscal results showed a 0.2% primary surplus and 2.6% total deficit, while debt to GDP increased to 89% (57% external debt to GDP)
- GDP contracted 5.8% y/y and 0.2% q/q in 1Q19. Inflation peaked at 4.7% in Mar19, retreating to 3.4% in Apr19 and 3.1% in May19. Inflations expectations for next 12 month per the monthly survey done by the Central Bank decreased to 30%
- US$10.8bn from the IMF were received in April, while US$5.5bn are expected to be received in the coming weeks after May's revision done by the organism
- Provincial elections: ruling parties were reelected in Cordoba, Entre Rios, Neuquen, Chubut, Jujuy and Rio Negro, while in Santa Fe and Tierra del Fuego, the Peronists and the Kirchernists took office, respectively
- YPF tapped the bond market with a U$500mm 8.5% 10-yr issuance, followed by Pampa, which issued a US$300mm 9.125% 10-yr bond
- Edenor's jurisdiction was transferred to the City and Province of BA, and mutual claims were settled
- Massive blackouts caused by a failure in Transener system left practically the entire country and part of Uruguay out of energy for several hours, with the transmission company now being a target for possible sanctions

Brazil

- Brazil maintained the local benchmark interest rate at 6.5%
- Pension reforms were approved in the Special Commission and now proceeds to Congress for approval, on increasing support
- Petrobras changed the frequency of readjustments in diesel and gasoline prices, now to be carried out according to market conditions without a defined frequency
- Supreme Court reversed the provincial injunction made by local courts, allowing Petrobras to move forward with its asset sales
- QGOGCO published its second amended and restated support plan, offering further benefits for those participating in the new money (and subordinating those that not)

EM HIGHLIGHTS 2Q'19

Brazil (Continued)

- Odebrecht, shareholder of Braskem, ODBR and ODEBRE, filed for bankruptcy protection in what is expected to be the largest the largest in court debt restructuring in Latin America
- BNDES president, Joaquim Levy, stepped aside from his position after criticism from president Jair Bolsonaro. Gustavo Montezano assumed the position.
- CPI (Parliamentary Commission of Inquiry) of Brumadinho suggests legal actions against 14 Vale executives and higher taxes on the mining sector in Brazil
- Caixa sold its participation in Petrobras for R$7.3bn and accelerated repayments to the federal government, completing R$3bn and announced another R$17bn for 2019
- Minister of Justice, Sergio Moro, had private conversations with the Federal Public Prosecution Service (MPF) leaked, indicating possible collusion of entities in the Lava Jato prosecution.
- Ultrapar issued US$500mm in new 2029s bonds, at a 5.25% coupon rate
- JBS USA issued US$1bn of 29s bonds at a 6.50% coupon rate and re-tapped US$1.2mm among the 24s, 25s, 26s and 29s
- CSN re-tapped US$575mm of the 7.625% 2023 notes

China

- China-US trade talks resume at the Osaka Summit. Dovish signals released from both parties indicate eased tension and prospects for increased Chinese import from the US.
- Chinese companies issued US$117bn USD bonds in first half of the year, compared with US$108bn same period last year. Property developers account for around 39% of total issuance. LGFVs account for 12%.
- Rally in real estate sector halts in 2Q19, while EVERRE bonds underperform relative to peers on the back of further large investments announced in the EV sector.

EM HIGHLIGHTS 2Q'19

China (Continued)

- Policymakers moderately tightens restrictions on real estate sector after stimulating the market in the NPC & CPPCC sessions. The reversal of attitude aims to stabilize property price and prevent overheated markets.
- Caixin manufacture PMI is down to 49.4 in June, compared with 51.0 same period last year. GDP registers 6.4% y/y growth in 1Q19 and is within the central government's guidance (6% ~ 6.5%), driven more by government-initiated domestic investment than consumption.
- Reserve ratio for major banks remains 13.5% after two cuts early in January.

Kazakhstan

- On June 10, 2019, Mr. Qasym-Jomart Tokayev, 65, the Speaker of the country's legislative upper house and the hand-picked successor of former president Nursultan Nazarbayev, won Kazakhstan's presidential elections with over 70% of the vote. The nearest challenger, opposition candidate Amirzhan Kosanov, got 16%. Some 500 people protested in the capital Nursultan (formerly Astana and re-named for former president Nazarbayev in March 2019).
- July 6, 2019, Nursultan Nazarbayev's 79th birthday, was marked by anti-government protests as the swift June 2019 elections were viewed as an organized handover of power. Dozens of protesters arrested.

Mexico

- US President Trump proposed a 5% import tariff on all Mexican goods, set to increase gradually to 25%. The tariffs were not implemented as both countries reached an agreement, which included the deployment of the newly created National Guard along Mexico's southern border to stop illegal immigration
- Mexico's GDP contracted by 0.2% during 1Q19, according to Mexico's INEGI, driven by a contraction in both secondary and tertiary activities that together make up 93% of the GDP
- During 1Q19, public expenditure was 6% below budget, attributed to the natural change in administration and a tighter expense control. This has prompted several banks to continually reduce Mexico's GDP growth estimates
- Mexico's Senate approved the USMCA trade deal, becoming the first of the three countries to do so

EM HIGHLIGHTS 2Q'19

Mexico (Continued)

- Banxico reiterated the base interest rate at 8.25%, remaining at the highest level since 2008
- Fitch downgraded the Mex. Sov. rating to BBB, based on the weak GDP outlook and Sov. metrics impact from the continued Pemex support, while Moody's kept the rating at A3 but noted the uncertainty in current Govt. policies
- Fitch downgraded Pemex rating to BB+, based on upstream underinvestment and production decline, as well as insufficient support from the Sovereign
- Midstream companies accepted to negotiate terms with CFE, after the company went to international courts on seven unfinished natural gas pipelines
- Several court rulings have stopped the Santa Lucia airport construction due to lack environmental permits and the need to preserve the cancelled NAIM airport works

Nigeria

- Nigerian economy expanded 2.0% y/y, the strongest 1Q growth since 2015 but below 2.6% median expectation, while contracting 0.4% q/q
- Inflation of 11.4% in May remains above 6-9% central bank target
- In order to boost the economy, the Central Bank of Nigeria mandates banks to maintain a minimum 60% loan to deposit ratio by September 2019. Failure to meet it shall result in a levy of additional cash reserve requirement of 50% of the shortfall, At Mar19, we estimate UBANL and ZENITH are below the minimum.
- First Bank of Nigeria announced its intention to exercise the July 23rd call option on its subordinated 21 bond issue.

Russia

- As Russian sovereign ratings recovered to investment-grade levels, debt and equity deals by Russian corporate issues increased: in 1H19 they have already exceeded all placement volume for the entire 2018 by 25%: the equity deals increased 2.5x in 1H19 (US$1.9 billion) vs. 2018 (US$740 mm): among notable deals are SPOs of Tinkoff, Nornickel, Evraz and Polyus. In 1H19, 81 deals worth US$16 billion were closed at the debt capital markets vs. 24 deals worth US$13 billion in 2018.
- Russian Ruble (RUB) gained 9% YTD vs. USD so far in 2019, while the Russian Finance Ministry is placing record-high quantities of the OFZ (Federal Ruble Bonds)
- Over the past five years, Russian agricultural production increased by 20% and in 2016, Russia became the world leader in wheat exports. Russia is poised to double its agro exports in the next five years reaching US$45 billion with a focus on non-GMO grain.
- In June 2019, the Central Bank of Russia (CBR) announced the country's FX reserves exceeded US$500 billion, fully covering Russia's public and private external debt

EM HIGHLIGHTS 2Q'19

Turkey

- Opposition party CHP won the re-run of Istanbul mayoral election with 54% of total votes
- According to government officials, Russian S-400 missiles are expected to be delivered in coming days
- GDP contracted 2.5% y/y while expanding 1.3% q/q. Inflation in turn dropped to the lowest level in the past year at 15.7% on an annual basis and 0.0% compared to the previous month.
- Current account deficit in 1Q19 amounted to 1.1% of GDP. Central Bank policy rates remained at 24%
- Erdogan unexpectedly removed the Central Bank governor Murat Cetinkaya, replacing him by Murat Uysal, a former economist of the state-owned Halkbank
- Turkish government, through its Sovereign Wealth Fund, capitalized state-own banks through the subscription of EUR3.7bn of AT1 instruments
- Moody's downgraded the sovereign rating to B1, with negative outlook, subsequently downgrading eighteen banks due to the sovereign ceiling
- NPLs for the banking system ended at 4.0% in 1Q19, increasing 20bps q/q, and with guidance of 6-7% for 2019 given by most of the tier-1 banks
- Tupras announced the suspension of oil purchases from Iran, switching to market purchases from Iraq, Russia, Kazakhstan and Nigeria
- Sisecam announced a joint production investment with Ciner Group (of the US) for the production of 1.25mm annual MT of natural soda and 100k MT of sodium bicrabonate. Total capex is expected at US$2bn, with Sisecam's share to be expended mainly between 2021-2023 at a pace of US$200-250mm per year, and revenue projected to be increased by US$300mm once the plant starts operation in 2024
- Yasar announced a tender offer for up to US$100mm of its outstanding 20s through a modified Dutch auction at a minimum price of 67c

Ukraine

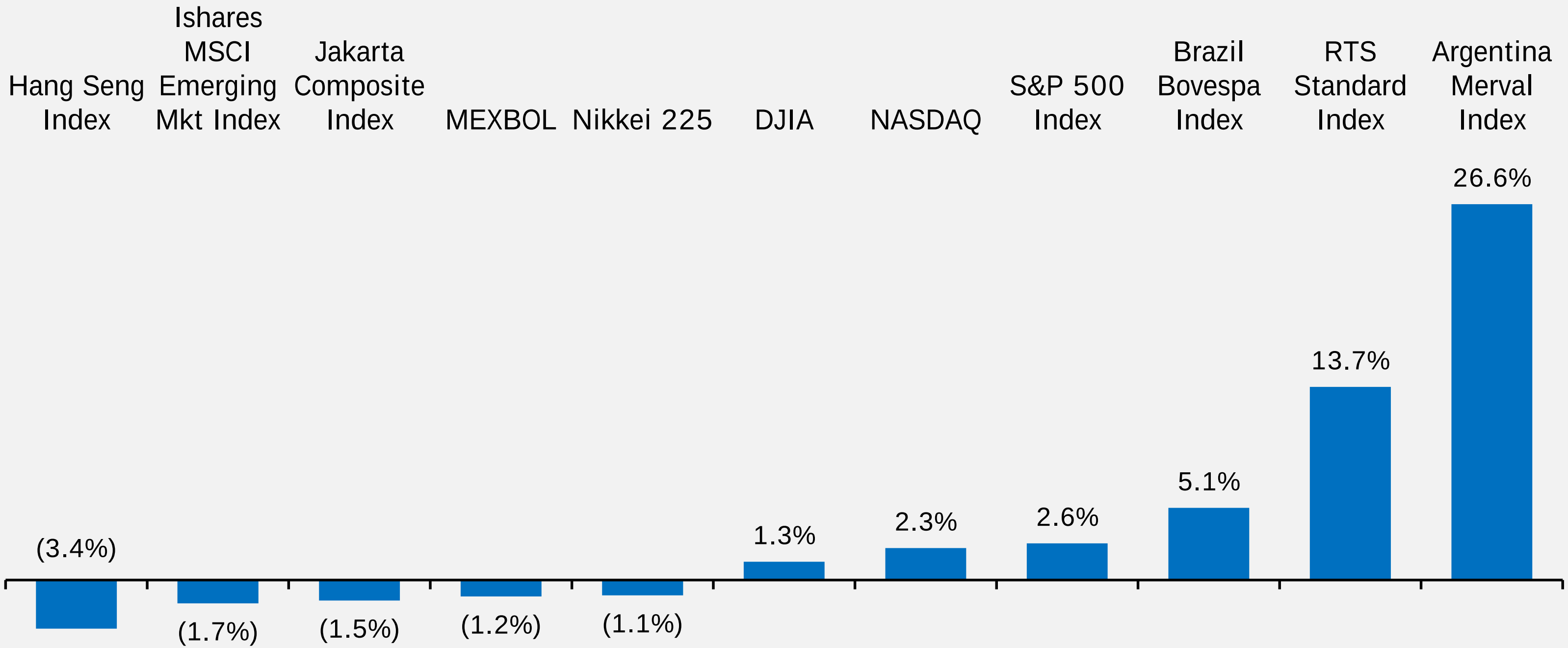
- On May 21, 2019, President of Ukraine Volodymyr Zelensky signed the decree on the dismissal of Verkhovna Rada (Ukrainian parliament) and called for parliamentary elections on July 21, 2019

EM HIGHLIGHTS 2Q'19

Ukraine (continued)

- President Zelensky's party, Servant of the People, has a chance to form a one-party majority in the parliament, if its current popularity continues. This would mark the first time since independence that one party controlled the entire government framework. The party needs 226 seats to form a majority (Ukraine has a mixed election system – 50% allocated through party lists and 50% allocated through single-mandate districts), Servant of the People is likely to win 130 party-list seats as it is currently polling at 45%. The party needs to win ~50% of the single-mandate seats to form a majority.
- After parliamentary elections and formation of a new Cabinet, a visit from the IMF delegation is expected to resume cooperation talks. The IMF's original US$17 billion loan program (2014) was replaced the US$3.9 billion stand by loan program (SBA) in October 2018. The new SBA facility is expected to provide support to economic policies during 2019.
- Export of Ukrainian agricultural products to Europe increased by 31% during January – May 2019 vs. the same period in 2018 reaching almost US$3 billion; whilst import, during the same period of time grew 12% to US$1.2 billion. The largest turnover is with the Netherlands (17.6%), Spain (13.7%), Poland (13.1%), German and Italy (10.8% each).
- At end-2Q19, Ukraine's FX reserves top US$20.6 billion, or just over 3 months of imports
- Ukrzaliznytsia, Ukraine's state-owned rail monopoly, issued US$500 mm in new 2024 Eurobonds, at a 8.25% coupon rate
- Naftogaz, Ukraine's state oil & gas company, is gearing up to do the same in the very near future

OVERVIEW
GLOBAL EQUITY INDEX RETURNS 2Q'19



2Q'19 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 =	4.48%	1.93%
PETKM 23	PETKIM PETROKIMYA HOLDIN	Chemicals	Turkey	USD	04/15/19	05/10/19	25	92.6	92.5	5.88%	(0.1%)	0.3%	(0.1%)
METINV 26	METINVEST BV	Iron/Steel	Ukraine	USD	04/15/19	07/02/19	78	100.2	105.1	8.50%	4.9%	6.7%	3.8%
ANTOIL 20	ANTON OILFIELD SERV GRP/	Oil&Gas Services	Indonesia	USD	04/15/19	07/02/19	78	103.0	102.8	9.75%	(0.2%)	1.9%	(1.1%)
SEPLLN 23	SEPLAT PETROLEUM DEV CO	Oil&Gas	Nigeria	USD	04/15/19	07/02/19	78	104.0	106.5	9.25%	2.4%	4.4%	1.5%
CYDSA 27	CYDSA SAB DE CV	Chemicals	Mexico	USD	04/15/19	07/02/19	78	97.3	100.7	6.25%	3.5%	4.9%	1.9%
MENDOZ 24	PROVINCIA DE MENDOZA	Municipal	Argentina	USD	04/15/19	07/02/19	78	80.5	86.8	8.38%	7.8%	9.6%	6.6%
UNIFIN 26	UNIFIN FINANCIERA SA DE	Diversified Finan Serv	Mexico	USD	04/15/19	07/02/19	78	95.5	98.4	7.38%	3.0%	4.9%	2.0%
VAKBN 22	TURKIYE VAKIFLAR BANKASI	Banks	Turkey	USD	04/15/19	07/02/19	78	88.0	92.0	6.00%	4.5%	5.8%	2.9%
FIDBAN 22	FIDELITY BANK PLC	Banks	Nigeria	USD	04/15/19	07/02/19	78	105.6	109.6	10.50%	3.8%	6.1%	3.1%
CSNABZ PERP	CSN ISLANDS XII	Iron/Steel	Brazil	USD	04/15/19	07/02/19	78	87.0	90.8	7.00%	4.3%	5.8%	2.9%
CGCSA 21	COMPANIA GENERAL COMBUST	Oil&Gas	Argentina	USD	04/15/19	07/02/19	78	93.0	97.8	9.50%	5.1%	7.2%	4.2%
ALPHSA 22	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	04/15/19	07/02/19	78	96.5	97.0	10.00%	0.5%	2.7%	(0.3%)
DOMREP 44	DOMINICAN REPUBLIC	Sovereign	Dominican Republic	USD	04/15/19	07/02/19	78	113.1	116.6	7.45%	3.1%	4.7%	1.8%
GOLLBZ 25	GOL FINANCE	Airlines	Brazil	USD	05/06/19	07/02/19	57	95.6	98.3	7.00%	2.7%	3.9%	1.4%
PFAVHC 20	AVIAN HLDS SA/LEASING/GR	Airlines	Brazil	USD	05/16/19	05/21/19	5	90.3	88.8	8.38%	(1.7%)	(1.6%)	(1.7%)
UNDERPERFORM											Average Return =	(4.17%)	(1.23%)
KERPW 22	KERNEL HOLDING SA	Agriculture	Ukraine	USD	04/15/19	07/02/19	78	103.3	105.8	8.75%	(2.4%)	(4.3%)	(1.4%)
AESGEN 25	AES GENER SA	Electric	Chile	USD	04/15/19	07/02/19	78	102.6	104.0	5.00%	(1.3%)	(2.4%)	0.5%
CENSUD 23	CENCOSUD SA	Food	Chile	USD	04/15/19	07/02/19	78	101.8	105.8	4.88%	(3.9%)	(5.0%)	(2.0%)
VEBBNK 20	VNESHECONOMBANK(VEB FIN)	Banks	Russia	USD	04/15/19	07/02/19	78	102.7	103.4	6.90%	(0.7%)	(2.2%)	0.8%
ARCOR 23	ARCOR SAIC	Food	Argentina	USD	04/15/19	07/02/19	78	95.8	99.9	6.00%	(4.3%)	(5.6%)	(2.7%)
LIGTBZ 23	LIGHT SERVICOS ENERGIA	Electric	Brazil	USD	04/15/19	07/02/19	78	101.8	105.0	7.25%	(3.2%)	(4.8%)	(1.8%)
TELVIS 26	GRUPO TELEVISA SAB	Media	Mexico	USD	04/15/19	07/02/19	78	101.9	104.5	4.63%	(2.6%)	(3.6%)	(0.7%)
GALIAR 26	BCO DE GALICIA Y BUENOS	Banks	Argentina	USD	04/15/19	07/02/19	78	95.0	98.5	8.25%	(3.7%)	(5.5%)	(2.5%)
											Total Average Return =	1.47%	0.83%

	From	Until	Days	Px at Recomm.	Px End	Total Return
CEMBI	04/15/19	07/02/19	81	441.8	454.8	2.9%

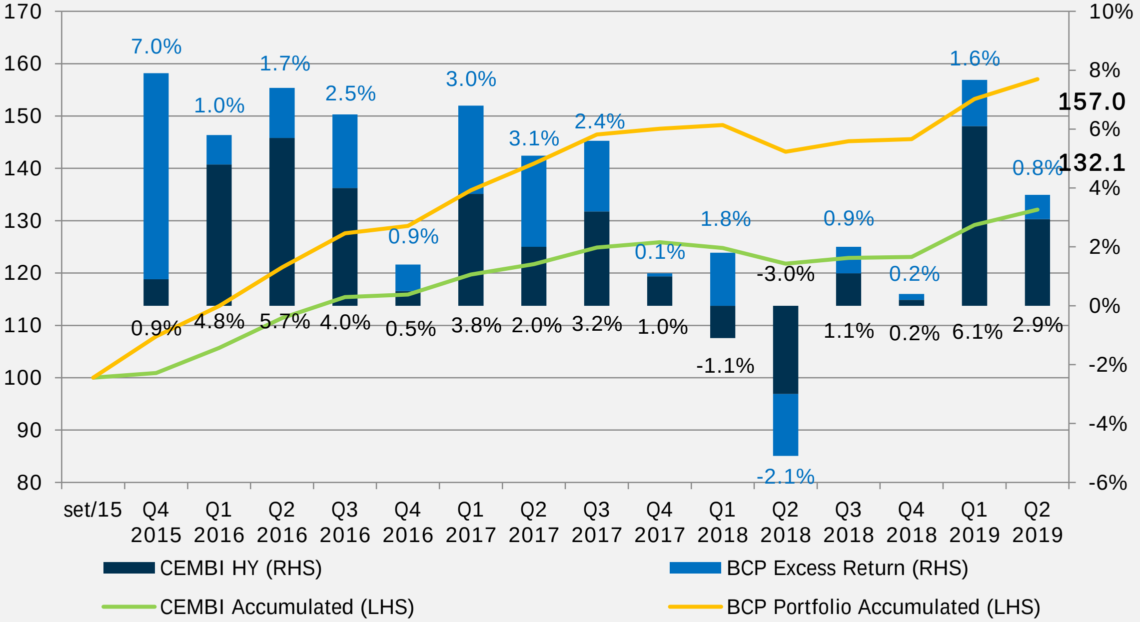
Source: Bloomberg as of 07/02/2019

2Q'19 TOP PICKS
PORTFOLIO REVIEW

REVIEW AND DISCUSSION OF PERFORMANCE

- BCP's Top Picks generated excess return of 83 bps vs. our CEMBI HY benchmark. Outperforms returned 448 bps on average, exceeded the index by 193bps. Underperforms appreciated 417 bps, subtracting 123 bps, on average, from our excess performance.
- Our top performers were MENDOZ 24s and CGCSA 21s, with an excess return of 6.6% and 4.2% respectively.
- METINV 26s was also a highlight, generating 3.8% excess performance.
- ARCOR 23s and GALIAR 26s were biggest disappointments, negative excess performance of 2.7% and 2.5%, respectively, yet decidedly lagging our Argentine outperform credits.
- Over the past 14 quarters, BCP Top Picks have generated compounded excess return of 24.9% vs. the CEMBI HY Index.

PORTFOLIO PERFORMANCE THROUGH July 2nd 2019



3Q'19 TOP PICKS
PORTFOLIO SUMMARY

	Company	Industry	Country	Currency	Amt Out	M/ SP/ F	CPN	Maturity	Mid Yield	Mid Price
Outperform										
CGCSA 21	COMPANIA GENERAL COMBUST	Oil&Gas	Argentina	USD	$300	-/ B-/ B	9.50%	11/07/2021	10.48%	98.00
PDCAR 21	PROVINCIA DE CORDOBA	Regional(state/provnc)	Argentina	USD	$725	B2/ B/ -	7.13%	06/10/2021	14.51%	88.00
GOLLBZ 25	GOL FINANCE	Airlines	Brazil	USD	$650	-/ B-/ B	7.00%	01/31/2025	7.30%	98.63
CARINC 22	CAR INC	Commercial Services	China	USD	$372	B1/ BB-/ -	8.88%	05/10/2022	7.96%	102.25
FECCN 23	FRONTERA ENERGY CORP	Oil&Gas	Colombia	USD	$350	-/ BB-/ B+	9.70%	06/25/2023	7.65%	106.88
ALPHSA 22	ALPHA HOLDING SA	Diversified Finan Serv	Mexico	USD	$300	B1/ B+/ -	10.00%	12/19/2022	10.98%	97.25
FIDBAN 22	FIDELITY BANK PLC	Banks	Nigeria	USD	$400	-/ B-/ B-	10.50%	10/16/2022	7.03%	109.94
RAILUA 24	UKRAINE RAIL (RAIL CAPL)	Transportation	Ukraine	USD	$500	-/ -/ B-	8.25%	07/09/2024	7.94%	101.25
Underperform										
ARCOR 23	ARCOR SAIC	Food	Argentina	USD	$500	Ba3/ -/ B+	6.00%	07/06/2023	5.97%	100.10
ARCO 23	ARCOS DORADOS HOLDINGS I	Retail	Argentina	USD	$348	Ba2/ -/ BB+	6.63%	09/27/2023	4.36%	108.63
KLAB 24	KLABIN FINANCE SA	Forest Products&Paper	Brazil	USD	$271	-/ BB+/ BB+	5.25%	07/16/2024	4.16%	104.88
AESGEN 25	AES GENER SA	Electric	Chile	USD	$172	Baa3/ BBB-/ BBB-	5.00%	07/14/2025	4.18%	104.31
TELVIS 26	GRUPO TELEVISA SAB	Media	Mexico	USD	$300	Baa1/ BBB+/ BBB+	4.63%	01/30/2026	3.88%	104.29

Source: Bloomberg as of 07/08/2019

MARKET OUTPERFORM

ARGENTINA
PDCAR 7.125% 21s
CGCSA 9.50% 21s

BRAZIL
GOLBZ 7.00% 25s

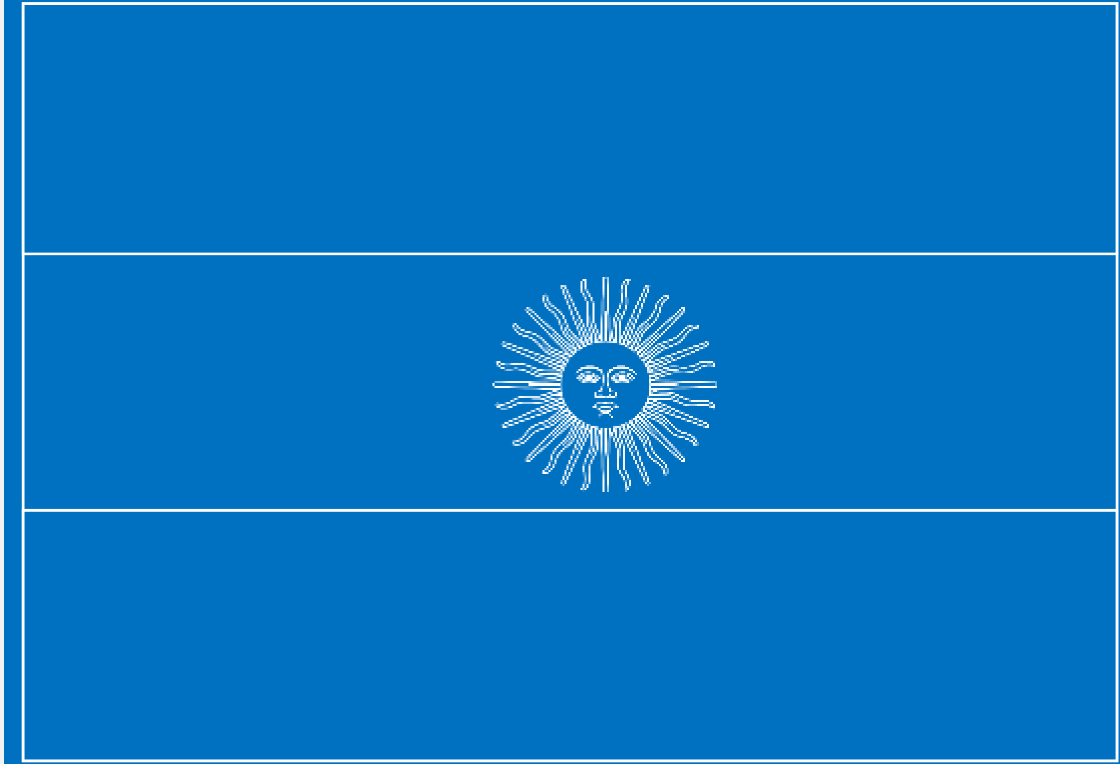
CHINA
CARINC 8.875% 22s

COLOMBIA
FECCN 9.70% 23%

MEXICO
ALPHSA 10.00% 22s

NIGERIA
FIDBAN 10.50% 22s

UKRAINE
RAILUA 8.25% 24s



ARGENTINA

bcp

MARKET OUTPERFORM (ARGENTINA):

CGCSA 9.50% 21s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
CGCSA 9.5% 11/7/2021	$300	-/B-/B	98.00	10.48%

CGC is an upstream oil and gas company, with production of nearly 38kboepd, of which more than 80% corresponds to gas. In 2015, it significantly expanded in size by acquiring Petrobras' assets in the Austral basin. It also has minority ownership in gas pipeline transport companies. The company is controlled by Corporacion America, a holding controlled by the Eurnekians, one of the country's wealthiest families.

PROS:

- Strong and recognized shareholder, although not a primary business of shareholder
- Long USD: USD linked revenues, while a vast portion of costs are in ARS
- Expanding production, up 3% q/q and 38% y/y in 1Q19, and 82% in the past two years. Production from Campo Indio Este – El Cerrito tight gas concession (74% of total) benefits from gas subsidy program, which sets minimum gas prices of US$7.0/MBTU for 2019, decreasing by US$0.5/MBTU annually through 2021
- Sound FCF generation (US$25mm in 1Q19)
- 25% ownership of TGN, valued at nearly US$175mm at TGN's current market cap
- Low indebtedness: we estimate LQA gross and net leverage ratio, excluding TGN dividends and including IFRS 16, of 1.3x and 1.2x for the recourse group in 1Q19, while CGC reported a 0.9x net leverage under bond indenture covenants
- Sound debt amortization schedule, as ST debt at Mar19 was fully repaid in May19 with the proceeds from the new US$75mm bank loan

CONS:

- Despite expanding operation, the company is still a small E&P player, with most of its production coming from once concession
- Although we think the company is profitable without subsidies, they are an important source of FCF, accounting for 23% of revenue in 1Q19. In Feb19, the government changed the regulatory scheme in order to pay subsidies based on expected production at project proposal instead of actual one. Per our understanding, actual production is not significantly above projected one.
- Average life of 1P reserves at Dec18 was relatively low at 5.4 years, and 3.8 years for PDP
- As part of the 'notebook scandal' President Hugo Eurnekian admitted having made contributions to the Kirchner's campaign in 2013, which were at his own will, from his own funds and properly declared on his tax returns. We highlight that the company is not involved in any investigation and Mr. Eurnekian manages other businesses of the group outside the bond issuer, including public infrastructure.

MARKET OUTPERFORM (ARGENTINA):

CGCSA 9.50% 21s

SMALL CAP EMERGING MARKETS B/BB E&P PEER TABLE

(US$ MM)	Seplat	CGC	Tecpetrol	Frontera	Gran Tierra	Geopark	Tullow	Kosmos	Medco
Country	Nigeria	Argentina	Argentina	Colombia	Colombia	Chile	Pan African	Pan African	Indonesia
Mid yield (%)	7.23%	10.84%	5.49%	7.65%	7.66%	5.71%	5.80%	6.79%	6.61%
Rating (M/SP/F)	B2/B-/B-	-/B-/B	Ba3/-/BB+	-/BB-/B+	-/B+/B+	-/B+/B+	B3/B/-	-/BB-/BB	B2/B/B+
Bond maturity	2023	2021	2022	2023	2025	2024	2022	2026	2025
Amt Out (US$mm)	350	300	500	350	300	425	650	$650	$500
	1Q19	**1Q19 (ARS)***	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**2H18**	**1Q19**	**1Q19**
Oil & Gas prod (kboed)	46.5	36.4	112.7	62.9	38.2x	39.6	83.7	56.1	90.0
Revenue	160	5,208	342	378	153	150	1,013	297	284
EBITDA	63	2,988	233	145	93	92	836	188	160
FCF	61	969	(74)	(23)	(53)	27	140	(96)	(28)
Gross debt	343	19,209	1,721	354	514	441	4,631	2,196	2,781
Net debt	(207)	17,565	1,703	13	450	294	4,452	2,061	2,213
LQA Gross leverage	1.3	1.6x	1.8x	0.6x	1.4x	1.2x	2.8x	2.9x	4.3x
LQA Net leverage	n/a	1.5x	1.8x	0.0x	1.2x	0.8x	2.7x	2.7x	3.5x

**Due to inflation adjustment figures are in ARS*

Source: Bloomberg as of 01/07/2019

MARKET OUTPERFORM (ARGENTINA):

CGCSA 9.50% 21s

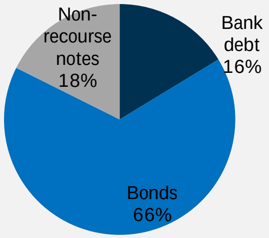
STRONG LIQUIDITY PROFILE AFTER RECENT LOAN

- In May19, the company obtained a US$75mm bank loan, which will have five equal quarter amortizations starting May2020, with proceeds used to repay all ST debt (US$64mm at Mar19)
- With the liability management, the company will not have any amortizations before national elections.
- Cash and equivalents position at Mar 31, 2019 ended at US$37mm, while we estimate it at US$48 pro-forma for the excess proceeds of the bank loan

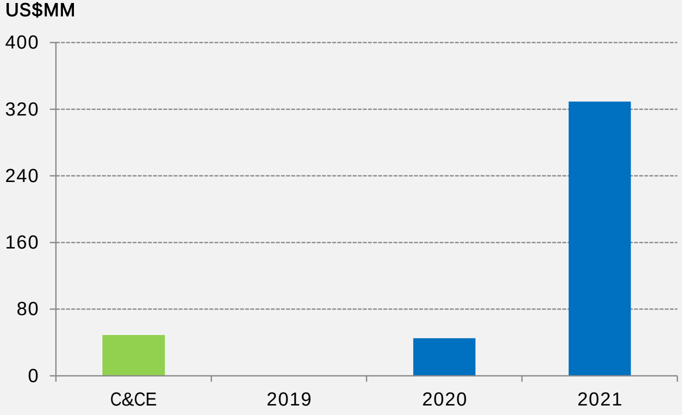
US$mm Pro-forma	Mar19
Cash and cash equivalents	48
Short term debt	0

TOTAL DEBT PER CURRENCY (MAR19)

TOTAL DEBT BY INSTRUMENT (MAR19)



PRO-FORMA RECOURSE GROUP AMORTIZATION SCHEDULE 03.31.2019



Note: Pro-forma for US$75mm new bank debt. Excluding US$80mm non-recourse notes.
Non-recourse loan payments will be exclusively addressed with dividends or other remunerations received as a shareholder of Gasinvest, GasAndes Argentina and GasAndes Chile

Source: CGC 1Q19 results

MARKET OUTPERFORM (ARGENTINA):

CGCSA 9.50% 21s

ANALYSIS OF 1Q19 RESULTS

- Due to inflation adjustments according to IAS 29, income statements and cashflow figures are compared y/y only, due to the lack of 4Q18 figures (only FY18 available), while balance sheet figures are compared q/q only due to the lack of inflation-adjusted comparative balance sheet figures for 1Q18
- Revenue increased 52% y/y to AR$5,208mm, given by a 35% increase in production and ARS depreciation, which more than offset lower Brent and wellhead gas prices, although recall for part of its gas production the company receives subsidies from national government measured by the difference between US$7.0/MMBTU and market price
    - Oil revenue, 22% of total, increased 28% y/y, with a 24% production growth. Gas revenue, 52% of total, increased 41% y/y, with a 37% production growth. Subsidies coming from tight gas developments by CGC in Santa Cruz (Austral basin), 23% of total revenue, increased 121% y/y
- We understand that impact of recent regulatory changes non-conventional gas subsidies are not significant for CGC since actual production is only slightly projected levels
- Production in 1Q19 averaged 38.2kbpd compared with 37.2kbpd in 4Q18
- EBITDA (pre-dividend collection from associates) jumped 122% y/y to AR$2,988mm
- FCF generation of AR$969mm, with EBITDA being more than enough to fund capex program
- Net debt, however, increased 1% q/q due to the impact of ARS devaluation as most of the debt is in USD and the addition of AR$404mm in debt following IFRS 16
- Current cash position of AR$1,643mm, while ST debt was fully repaid after period-end with the proceeds from the new US$75mm bank loan
- Annualized net leverage improved to 1.5x from 1.7x in FY18, or 1.2x excluding non-recourse notes. We estimate that excluding national subsidies, annualized net leverage would be 2.5x

CGC (AR$MM)	1Q19	1Q18	y/y
Revenue	2,672	2,916	(8%)
EBITDA	1,706	1,864	(8%)
EBITDA margin	63.85%	63.91%	

CGC (AR$MM)	1Q19	4Q18	y/y
Total Debt	19,209	18,910	2%
Ex-non recourse notes	15,749	15,904	(1%)
Cash and Equivalents	1,643	1,521	8%
Net Debt	17,566	17,390	1%
Ex non-recourse notes	14,107	14,384	(2%)
Leverage (Total Debt/LQA EBITDA)	1.6	1.8	
Ex non-recourse notes	1.3	1.7	
Net leverage (Net Debt/LQA EBITDA)	1.5	1.7	
Ex non-recourse notes	1.2	1.5	

CGC (AR$MM)	1Q19	1Q18
EBITDA	2,988	1,349
Working capital	(188)	(614)
Capex	(1,659)	(1,218)
Interest paid	(194)	(56)
Taxes paid	74	-
FCF	**(52)**	**(19)**

MARKET OUTPERFORM (ARGENTINA):

PDCAR 7.125% 21s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
PDCAR 7.125% 06/10/2021	$725	B2/B/-	88.00	14.51%

The Province of Cordoba is the second largest Argentine province in population and one of its primary industrial centers. Over 3.5 million people currently live in the province. Economic activity is mostly based on services, commerce and industry. However, its poverty rate is high. According to INDEC, poverty rate in its main urban centers was 36.5% as of Dec-18.

PROS:

- Second largest Argentine province by population
- Diversified economy
- Government has legislative majority
- Provincial government allied with national administration
- Third largest exporter in the country, accounting for 13.4% of total Argentine exports in 2017, mainly driven by the auto and the agroindustry businesses
- Sound 1Q19 fiscal results, with both primary and total surplus
- Low indebtedness levels, with total debt to estimated GDP of 7%

CONS:

- Only province with Jujuy posting primary deficit in 2018 and only one with deteriorated fiscal numbers in 2018 compared to 2017
- Deficit expected to remain based on 2019 budget
- Maintains its own social security administration

MARKET OUTPERFORM (ARGENTINA):

PDCAR 7.125% 21s

COMP TABLE

AR$mm	Pvcia BA	City BA	Cordoba	Santa Fe	Mendoza	Entre Rios	Chaco	La Rioja	Jujuy	Rio Negro	Neuquén	Salta	Chubut	Tierra del Fuego
Bond	2023	2027	2021	2023	2024	2025	2024	2025	2022	2025	2025	2024	2026	2027
Yield (%)	14.1%	8.5%	14.4%	12.3%	12.9%	16.9%	18.3%	18.0%	19.4%	17.2%	8.3%	15.5%	11.3%	10.5%
Spread to sovereign (bps)	145	(217)	322	113	173	571	713	683	749	602	(289)	433	13	(67)
Last reported figures	**2018**	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**2018**	**1Q19**	**1Q19**	**1Q19**	**2Q18**	**2018**
Current income	678,546	73,745	63,232	59,503	25,130	25,507	21,115	8,349	39,288	14,129	26,872	16,664	12,300	28,812
Current expenditures	(624,366)	(48,373)	(52,132)	(56,382)	(19,681)	(23,485)	(18,423)	(7,237)	(37,163)	(12,103)	(23,891)	(14,674)	(9,844)	(25,996)
Capital income	7,394	1,894	693	736	77	209	204	138	1,784	458	377	326	546	1181
Capital expenditures	(42,655)	(8,440)	(7,783)	(6,466)	(1,918)	(1,208)	(1,705)	(412)	(5,250)	(1,309)	(2,091)	(721)	(1,187)	(3,492)
Primary surplus / (Deficit)	**18,919**	**18,826**	**4,010**	**(2,609)**	**3,608**	**1,023**	**1,191**	**838**	**(1,341)**	**1,175**	**1,267**	**1,595**	**1,815**	**505**
as % of current income	3%	26%	6%	(4%)	14%	4%	6%	10%	(3%)	8%	5%	10%	15%	2%
FY2018	3%	7%	(7%)	1%	7%	2%	7%	3%	(3%)	8%	5%	4%	n/a	2%
Interests	(42,655)	(6,499)	(2,107)	(474)	(1,549)	(1,325)	(1,430)	(716)	(2,733)	(1,106)	(1,240)	(1,132)	(1,202)	(1,314)
Total surplus / (deficit)	**(23,736)**	**12,327**	**1,903**	**(3,083)**	**2,059**	**(302)**	**(239)**	**122**	**(4,074)**	**69**	**27**	**463**	**613**	**(809)**
as % of current income	(3%)	17%	3%	(5%)	8%	(1%)	(1%)	1%	(10%)	0%	0%	3%	5%	(3%)
FY2018	(3%)	1%	(9%)	1%	(1%)	(1%)	3%	(1%)	(10%)	1%	0%	0%	n/a	(3%)
												Dec18		
Total debt	**474,431**	**123,467**	**118,689**	**28,798**	**48,061**	**40,110**	**28,150**	**17,367**	**30,430**	**25,462**	**53,782**	**26,386**	**22,800**	**13,204**
as % of current income (*)	84%	42%	55%	14%	48%	46%	38%	52%	77%	45%	58%	45%	54%	53%
as % of estimated GDP	10%	4%	7%	3%	13%	8%	12%	26%	33%	14%	17%	19%	15%	13%

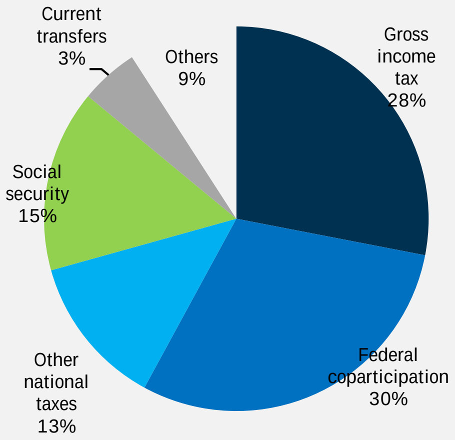
(*) For comparative purposes, excluding social security income for those provinces that manage their own social security systems: Buenos Aires, Chaco, Chubut, Cordoba, Entre Rios, Neuquen and Santa Fe

MARKET OUTPERFORM (ARGENTINA):

PDCAR 7.125% 21s

Province of Cordoba (AR$MM)	1Q19	2018	2017	y/y (AR$)	y/y (%)	2019 (budget)
Current income	63,232	212,141	161,754	50,387	31%	273,743
Local tax revenues	17,733	56,531	42,690	13,841	32%	74,237
National taxes	26,956	92,923	67,945	24,978	37%	121,978
Current transfers	3,086	9,739	10,982	(1,243)	(11%)	14,973
Social security	9,685	33,276	26,263	7,013	27%	41,045
Other current income	5,772	19,852	13,874	5,978	43%	21,510
Current expenses	(52,132)	(185,523)	(140,283)	45,240	32%	(242,725)
Personnel expenses	(21,810)	(78,349)	(60,006)	18,343	31%	(98,073)
Current transfers	(13,476)	(45,149)	(33,672)	11,477	34%	(60,601)
Goods and services	(4,126)	(17,460)	(12,939)	4,521	35%	(24,093)
Social security	(12,718)	(44,569)	(33,667)	10,902	32%	(57,209)
Capital income	693	5,102	3,782	1,320	35%	4,271
Capital expenditures	(7,783)	(45,928)	(28,392)	17,536	62%	(53,146)
Primary surplus / (deficit)	**4,010**	**(14,208)**	**(3,142)**	**(11,066)**	**(352%)**	**(17,857)**
as % of current income	6%	(7%)	(2%)			(7%)
Interest	(2,107)	(5,717)	(2,812)	2,905	103%	(8,885)
Total surplus / (deficit)	**1,903**	**(19,925)**	**(5,954)**	**(13,971)**	**(235%)**	**(26,742)**
as % of current income	3%	(9%)	(4%)			(10%)

1Q19 CURRENT INCOME BY SOURCE

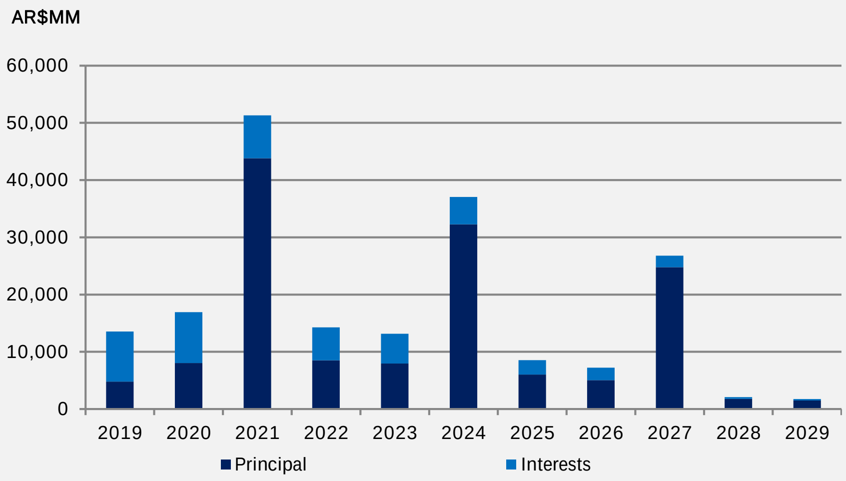


MARKET OUTPERFORM (ARGENTINA):

PDCAR 7.125% 21s

Province of Cordoba (AR$MM)	2018	2018	2017
Gross debt	118,689	103,137	48,551
National government	5%	1%	4%
International bonds	72%	73%	76%
Local debt	2%	16%	1%
Multilateral agencies	20%	11%	17%
ARS	4%	5%	4%
Foreign currencies	96%	95%	96%
Gross debt / Estimated GDP	7%	7%	8%
Gross debt / Current income	49%	49%	30%
Interest / Current income	3%	3%	2%

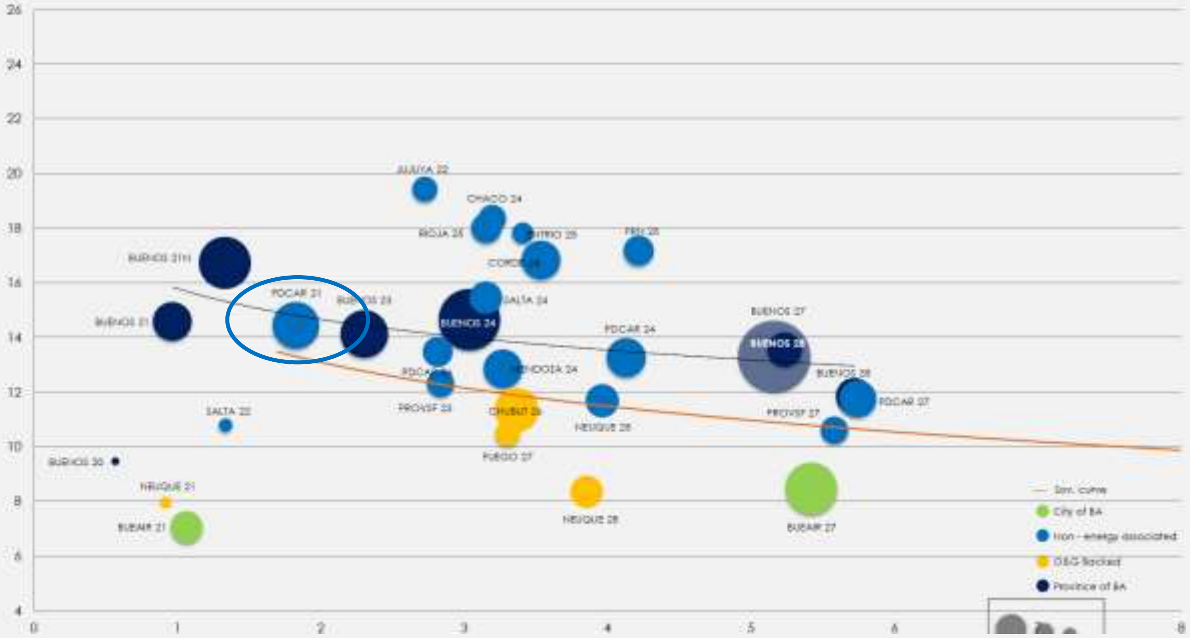
DEBT AMORTIZATION SCHEDULE AT 01.31.2019



MARKET OUTPERFORM (ARGENTINA):

PDCAR 7.125% 21s

Argentine Provinces USD vs Prov BA Curve



Source: BCP Securities as of 01/07/2019

BRAZIL

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Issuer	Interest	Maturity	Amt (US$MM)	Rating (M/SP/F)	Mid Price	Mid Yield
GOLLBZ	8.88%	1/24/2022	78	-/ B-/ B	103.00	7.55%
GOLLBZ	3.75%	7/15/2024	345	B2/ -/ -	121.50	(0.48%)
GOLLBZ	7.00%	1/31/2025	650	-/ B-/ B	98.63	7.30%
GOLLBZ	8.75%	Perp	154	B2/ -/ B	96.50	9.07%

Gol is Brazil's leading and low-cost airiline, with a single fleet type focused on business travelers. Founded in 2000, the airline leads in domestic market share. Key macro drivers are GDP, FX, and jet fuel. We upgraded Gol 25s to Market Outperform given accumulating positive tailwinds, which include lower oil prices, consolidation of the Brazilian airline industry, heightened reporting transparency with implementation of IFRS 16, and improving fundamentals. All this against a backdrop of disciplined capacity reductions since the 2015 industry distress - Gol's fleet capacity is still well below the prior peak.

PROS:

- Consolidation of Brazilian airlines with wind down of Avianca Brazil provides interim opportunity for favorable pricing environment and increased market share
- Strong 1Q19 results in BRL terms, FCF+ in USD terms
- Deleveraging to 3.4x at 1Q19 as a result of improved profitability alongside implementation of IFRS 16
- 1Q19 RPKs up 6.4% compared to 5.0% increase in ASKs, resulting in a load factor of 81.5%
- Positive FY19 and FY20 guidance
- Lower jet fuel as priced in BRL
- Main assets (planes) are valued in USD in the international market place
- Market share leader in Brazil

CONS:

- Recent suspension of Avianca Brasil auction by ANAC removes Gol bidding power for key slots in RJ and SP in lieu of more rational allocation based on current maket share
- Ongoing grounding of Max-8s in fleet, (reinstating now est. YE19)
    - We note Max 8s currently account for less than 6% of Gol's fleet
- 1Q19 results, reported in USD, were negatively impacted by weaker BRL
- Exposure to Brazilian market (~80% of Gol's revenue)
    - Highly exposed to BRL
    - Minimal USD revenue
- Both jet fuel and aircraft leasing are denominated in USD

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

Recent Highlights – 1Q19 – Positive & Persistent Tailwinds:

- On January 1st 2019, Gol adopted new reporting standards under IFRS 16, which had a net neutral effect on EBITDAR and net positive effect on leverage
- Revenue of US$852 mm was 7% lower y/y due to F/X but 1% higher q/q
  - We note revenue in BRL terms reached a record high, increasing 8% y/y and remaining flat q/q at R$3,211 mm
  - BRL weakened 16% y/y while strengthening 1% q/q to R$3.77
- EBITDA decreased 12% y/y and 20% q/q to US$242 mm (R$912 mm), again due to F/X, with q/q performance also impacted by higher operating expenses
  - EBITDA grew 3% y/y, but decreased 20% q/q in BRL at R$912 mm
  - On the earnings call, the company noted within operating expenses, passenger expenses increased 9% y/y and 20% q/q in 1Q19 to US$40 mm in 1Q19 as a result of the grounding of Gol's MAX-8 fleet.
- EBITDA margins remained strong at 28%
  - The company guided to 28% and 29% EBITDA margins in 2019 and 2020, respectively
- Free cash flow was positive US$2 mm, due to lower capex and WK use and despite the substantial y/y increase in cash lease payments
- Gross debt increased 9% q/q to US$3,581 mm, following the US$345 mm issuance of exchangeable notes and capitalization of Aircraft Rents, incorporated under Aircraft Financing on the company's balance sheet
- Pro Forma Net Leverage (incl op leases), using trailing LTM EBITDAR was 3.4x in 1Q19, reflective of favorable leverage trends, which benefitted from stronger EBITDA and the adoption of IFRS 16 accounting standards

Gol (US$MM)	IFRS 1Q19	IFRS 4Q18	4Q18	IFRS 1Q18	1Q18	y-o-y	q-o-q
Revenue	852	840	840	914	914	(7%)	1%
EBITDA	**242**	**303**	**305**	**274**	**275**	**(12%)**	**(20%)**
EBITDA margin	28%	36%	36%	30%	30%	(154bps)	(766bps)

Gol (US$MM)	IFRS 1Q19	IFRS 4Q18	4Q18	IFRS 1Q18	1Q18	y-o-y	q-o-q
EBITDA	**242**	**303**	**305**	**274**	**275**	**(12%)**	**(20%)**
Capex	(27)	(7)	(7)	(54)	(54)	(49%)	299%
Interest paid	(50)	(27)	(27)	(46)	(46)	8%	88%
Taxes paid	(6)	(2)	(2)	(17)	(17)	(66%)	242%
Cash lease	(94)	(16)	(16)	(16)	(16)	477%	485%
Aircraft rents expense	n/a	n/a	(82)	n/a	(73)	-	-
FCF before WK	**65**	**252**	**172**	**141**	**69**	(54%)	(74%)
Working capital	(63)	(17)	(17)	(123)	(123)	(49%)	262%
FCF	**2**	**234**	**155**	**18**	**(54)**	(88%)	(99%)

Gol (US$MM)	IFRS 1Q19	IFRS 4Q18	4Q18	IFRS 1Q18	1Q18	y-o-y	q-o-q
Gross Debt	**3,581**	**3,274**	**3,839**	**3,320**	**4,077**	**8%**	**9%**
Cash	694	549	549	631	631	10%	26%
Net Debt	**2,887**	**2,726**	**3,290**	**2,689**	**3,447**	**7%**	**6%**
Gross leverage (Total Debt/LQA EBITDA)	3.7x	2.7x	3.1x	3.0x	3.7x	0.7x	1.0x
Net leverage (Net Debt/LQA EBITDA)	3.0x	2.2x	2.7x	2.5x	3.1x	0.5x	0.7x

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

GoI (US$MM)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Net income (loss)	**74**	**(126)**	**154**	**20**	**68**	**(353)**	**(78)**	**152**	**9**
(-) Income Taxes	(25)	2	(43)	(30)	20	15	26	20	19
(-) Net Financial Result	32	132	(9)	130	67	350	98	5	106
EBIT	**81**	**8**	**102**	**120**	**155**	**12**	**46**	**177**	**134**
(-) Depreciation and Amortization	34	37	43	44	46	46	44	47	108
EBITDA (ex-rents)	**114**	**45**	**145**	**164**	**202**	**58**	**90**	**223**	**242**
(-) Rents	77	75	72	70	73	75	75	82	n/a
EBITDA	**191**	**120**	**218**	**234**	**275**	**132**	**165**	**305**	**242**
LTM EBITDA	**574**	**630**	**663**	**763**	**846**	**858**	**805**	**877**	**844**
Gross Debt	**3,943**	**3,720**	**3,710**	**4,137**	**4,077**	**3,827**	**3,796**	**3,839**	**3,905**
Short-term borrowings	229	220	185	352	358	398	520	316	282
Long-term debt	1,693	1,659	1,684	1,796	1,753	1,685	1,479	1,513	1,678
LTM Aircraft Rents x 7 years	2,020	1,841	1,841	1,988	1,966	1,744	1,797	2,010	1,945
Cash and Cash Equivalents	**219**	**275**	**365**	**680**	**631**	**544**	**483**	**549**	**694**
Cash and cash equivalents	122	172	190	310	160	160	172	213	483
Financial assets	38	34	94	289	382	299	232	123	91
Restricted cash ST	-	-	-	-	-	-	-	34	91
Restricted cash LT	59	70	81	81	88	85	78	178	30
Net Debt	**3,724**	**3,445**	**3,345**	**3,456**	**3,447**	**3,283**	**3,313**	**3,290**	**3,211**
Gross Leverage (Gross Debt / LQA EBITDA)	**5.2x**	**7.7x**	**4.3x**	**4.4x**	**3.7x**	**7.2x**	**5.8x**	**3.1x**	**4.0x**
Net Leverage (Net Debt / LQA EBITDA)	**4.9x**	**7.2x**	**3.8x**	**3.7x**	**3.1x**	**6.2x**	**5.0x**	**2.7x**	**3.3x**
LTM Gross Leverage (Gross Debt / LTM EBITDA)	**6.9x**	**5.9x**	**5.6x**	**5.4x**	**4.8x**	**4.5x**	**4.7x**	**4.4x**	**4.6x**
LTM Net Leverage (Net Debt / LTM EBITDA)	**6.5x**	**5.5x**	**5.0x**	**4.5x**	**4.1x**	**3.8x**	**4.1x**	**3.8x**	**3.8x**
Gross Debt	**3,539**	**3,352**	**3,341**	**3,739**	**3,684**	**3,478**	**3,437**	**3,437**	**3,581**
Short-term borrowings	229	220	185	352	358	398	520	316	282
Long-term debt	1,693	1,659	1,684	1,796	1,753	1,685	1,479	1,513	1,678
Aircraft Financing	1,616	1,473	1,472	1,591	1,573	1,395	1,438	1,608	1,621
Net Debt	**3,319**	**3,077**	**2,976**	**3,058**	**3,053**	**2,934**	**2,954**	**2,888**	**2,887**
Pro Forma Gross Leverage (incl op leases) / Trailing LTM EBITDA	**6.2x**	**5.3x**	**5.0x**	**4.9x**	**4.4x**	**4.1x**	**4.3x**	**3.9x**	**4.2x**
Pro Forma Net Leverage (incl op leases) / Trailing LTM EBITDA	**5.8x**	**4.9x**	**4.5x**	**4.0x**	**3.6x**	**3.4x**	**3.7x**	**3.3x**	**3.4x**

** Prior to 1Q19 = LTM Aircraft Rents x 7 years (80%)*

MARKET OUTPERFORM (BRAZIL):

GOLLBZ 7.00% 25s

2019 & 2020 Revised Guidance:

- Leverage trends are favorable as Gol has cut over one turn of EBITDA off net leverage in the past five quarters, over two thirds due to higher EBITDA despite f/x headwinds.
- Moreover, management guidance points to almost US$1.0bn in 2019 EBITDA generation (compared to BBG consensus of US$890 mm) vs. current net debt of US$2.9bn (at 1Q19 f/x).
- Furthermore, using capex guidance and estimated interest and lease payments, we see FCF potential of US$255 mm and US$414 mm (pre WK) for 2019 and 2020, respectively.
- We understand the decrease in EPS in the revised guidance is non-cash and entirely attributable to non-cash f/x losses.
- **Meanwhile, despite the improvements in fundamentals, bonds are cheaper vs 1Q18 amidst a strong rally in Brazil's HY markets and against the backdrop of industry consolidation.**
- Following ANAC's suspension of Avianca Brasil's auction, slots will likely be allocated using a more rational distribution method as opposed to an auction, where Gol could strategically bid for key slots in RJ and SP
- Nonetheless, the cessation of Avianca's Brasil's operations will effectively consolidate Brazil's airline industry into a three player market, much like the United States is experiencing with its current industry structure, referred to as the "Golden Age of Airlines" due to consolidation, pricing and profit generation.

Pro-Forma Cash Flow (US$MM)	2019	2020
Revenue	**3,450**	**3,848**
EBITDA	**966**	**1,116**
EBITDA margin	*28%*	*29%*
(-) Capex	(186)	(172)
(-) Interest Paid *	(138)	(138)
(-) Cash Lease *	(350)	(350)
(-) Cash Taxes Paid **	(38)	(42)
Pro-forma FCF (Before WK)	**255**	**414**

**Average 2017-2018. Cash lease includes Aircraft Rent (IS) and Lease Payments (CF) to reflect impact of IFRS 16*

*** Based on revenue, pre-tax margin and effective income tax rate guidance. Assumes 50% cash tax payment based on historical tax expense and income tax paid*

MARKET OUTPERFORM (BRAZIL):

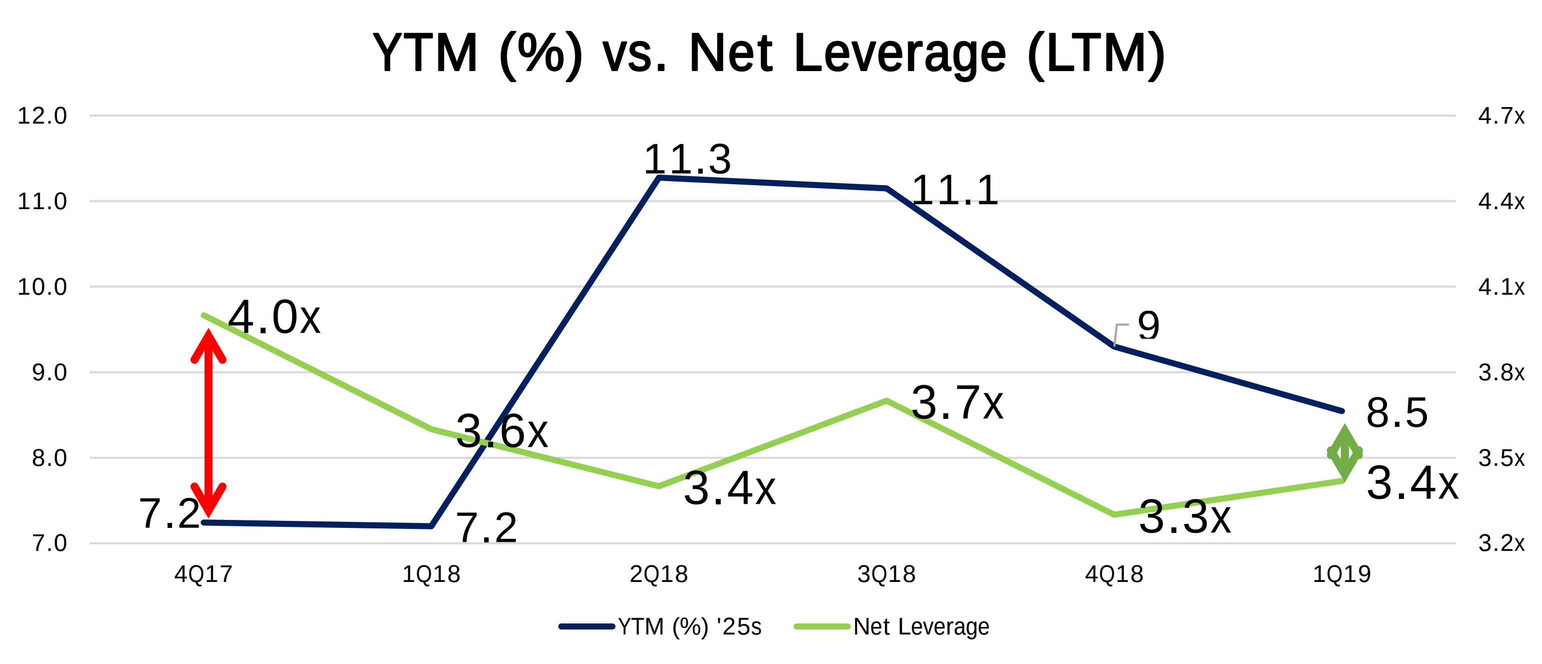
GOLLBZ 7.00% 25s

Update on the impact of Boeing 737 MAX-8 Grounding:

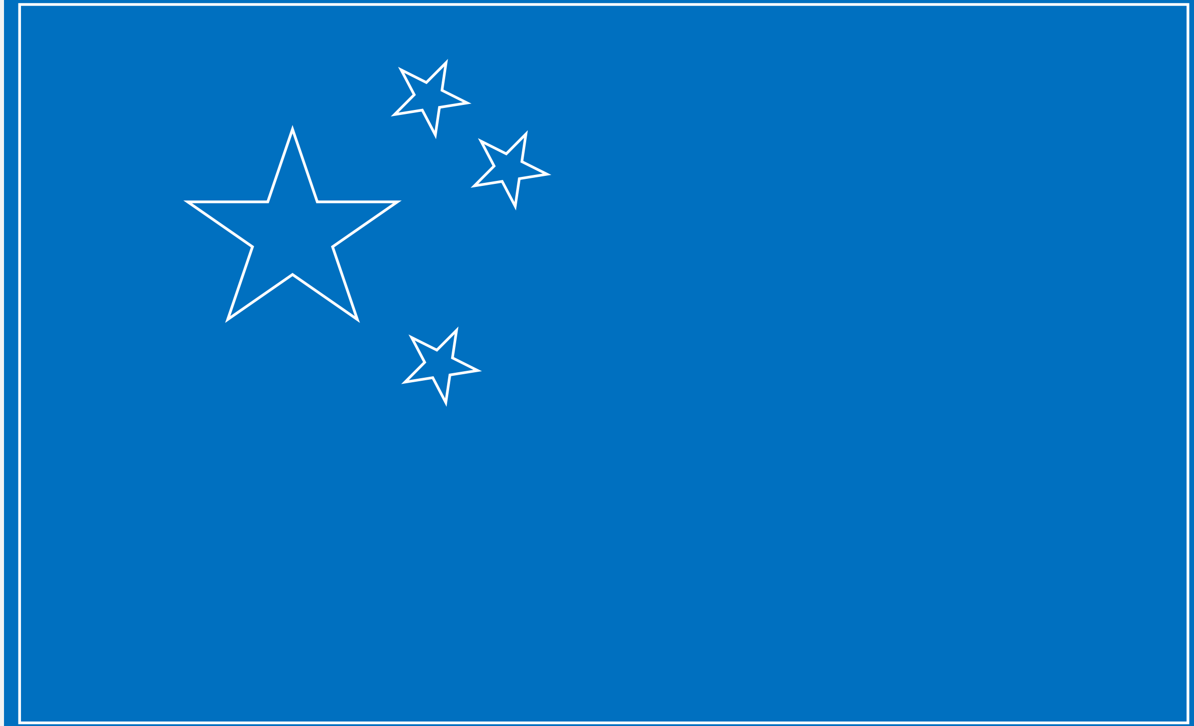
- News has been circulating that regulator review of the MAX aircraft could extend as late as year-end 2019.
- In 1Q19, the company recognized ~US$3 mm (~R$10 mm) in expenses tied directly to the grounding of its MAX-8 fleet.
- The company estimates a total impact of ~US$11 mm (~R$40 mm) for FY19, assuming ungrounding of the MAXs in May.
- The Boeing 737 MAX-8 fleet accounts for only 6% of Gol's 122 aircraft fleet.
- Gol detailed on its call a contingency plan established in the interim as a means to mitigate any further impact the grounding of MAX aircraft could have on operations.
- Since grounding, Gol has employed the use of its 737 NG aircraft for international flights from Brasília and Fortaleza to the U.S.
- The company plans to utilize four (4) NGs, which were intended to be moved out of the fleet this year, in addition to 4 NGs within its fleet, for which it has re-calendarized maintenance schedules, for a total of eight (8) NGs.
- These NGs will cover the 7 MAX aircraft currently in its fleet, along with one (1) additional MAX it was slated to receive this year.
- As of the 1Q19 earnings call, the company was slated to begin receiving MAXs per its pre-sale order with Boeing beginning in July, with a delivery of 1-2 MAXs per month.
- Should MAXs remain grounded through July and flight demand remain high, the company stated it could enter into temporary leasing contracts for an additional 4-6 planes for a period of 1-1.5 years.
- Gol cited availability of NGs in the international market as a potential source for those short-term leases.
- The company noted even if MAXs come back online short term NG leases remain a viable solution to address additional demand.

BRAZIL AIRLINES: BETTER OUTLOOK, CHEAPER BONDS

GOL – OPERATING AND ACCOUNTING IMPROVEMENTS



* *Net Leverage: Pro Forma Net Leverage (incl. operating leases) / Trailing LTM EBITDA*



CHINA

MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

	Ranking	Amt Out (US$ mm)	Ratings (M/SP/F)	Mid Price	Mid YTM (%)
CARINC 6.125% 04/02/2020	Sr Unsecured	328	B1/BB-/WD	100.22	5.79%
CARINC 6.00% 11/02/2021	Sr Unsecured	300	B1/BB-/WD	97.25	7.72%
CARINC 8.875% 05/10/2022	Sr Unsecured	372	B1/BB-/-	102.25	7.96%

Car Inc (699 HK) is the largest car rental company in China with 17% market share*. The company's fleet is approximately 140k vehicles, expected to expand to 200k this year with ~US$400mm annual Capex. Founded by Lu Zhengyao in 2007, the company is now owned by the founder (30%), Legend Holdings (27%) and Warbug Pincus (10%). Car Inc's parent company UCAR is also involved in the car-sharing business, which now requires no additional investment according to the management. In 2018, 70% of transactions were self-serve with the help of Car Inc's mobile app and GPS devices. In April, the company issued US$372mm '22 senior note, US$172mm of which was exchanged from the '20s through a par-plus-cash offer.

Pros

- Market-leader position and strong brand recognition.
- Issuance of CARINC '22 offers funds borrowings due in 2019.
- High EBITDA margin. High percentage of self-service transaction.
- Small WK investment other than vehicle expansion.
- Continuous y/y growth of revenue from car rental business.
- Fleet is unsecured. Simple capital structure.
- Consistent growth in car rental business expected to become more evident this year as impact of car sharing business decreases.

Cons

- Large Capex needed to expand fleet and gain market share.
- Uncertainties lie in used vehicle market and realizable value of disposed vehicles.
- Cars are not favorable collateral for local banks. In 2018, only 4% of fleet were used as pledge of borrowings.
- Most cars are purchased from China-foreign JVs and may be impacted by tariffs on car parts.
- USD bonds structurally subordinated to onshore borrowings of US$864 (mostly CNY unsecured) and US$1.1bn CNY bonds.

** Source: ASKCI, 2018.*

MARKET OUTPERFORM (CHINA):

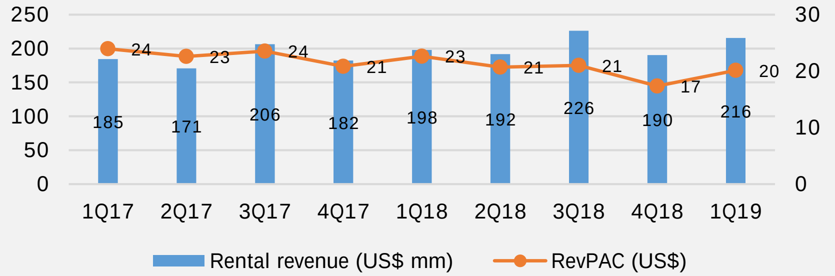
CARINC 8.875% 22

1Q19 Results

- Revenue increased 9% y/y to US$274mm. Rental revenue (car rental + fleet rental) increased 9% y/y to US$216mm.
    - Fleet size increased 29% y/y to 138k cars. But ADDR (Average Daily Rental Rate) declined 7% y/y to US$33. RevPAC* dropped 6% y/y to US$20. However both were flattish in local currency terms.
    - Reported adj EBITDA increased 12% y/y to US$142mm and 22% in local currency terms.
- LTM EBITDA margin has been increasing steadily y/y to 51% as more customers use self-service.
    - 70% transactions were self-served with the help of mobile app and GPS equipment vs. 30% in 1Q18.
    - 92% reservations were done through mobile app vs. 87% in 1Q18.

Car Inc. (US$ mm)	1Q19	4Q18	1Q18	yoy	qoq
Revenue	274	233	251	9%	18%
- car rental	187	160	163	15%	18%
- fleet rental	28	31	35	(19%)	(9%)
- sales of used vehicles	58	42	53	11%	38%
Costs	(142)	(132)	(132)	8%	8%
D&A	3	3	4	(30%)	3%
Reported adj EBITDA	142	113	127	12%	25%
Reported adj EBITDA margin	52%	49%	50%	136 bps	302 bps
LTM adj EBITDA margin	51%	50%	40%	1,110 bps	37 bps
Gross margin	48%	43%	48%	67 bps	492 bps

Car Inc. (US$ mm)	1Q19	4Q18	1Q18	yoy	qoq
WK	(112)	(64)	49	N/M	76%
- fleet investment	(102)	(55)	20	N/M	87%
- inventories	(2)	(11)	(4)	(42%)	(81%)
- A/R	(5)	5	37	(112%)	(200%)
- A/P	(3)	(2)	(5)	(37%)	62%



Note:
** Average Daily Rental Revenue Per Rental Vehicle*

CARINC 8.875% 22

1Q19 Results

- FCF decreased y/y to US$(16)mm, on higher WK investment.
  - Most WK investment was fleet expansion expense. Net investment on vehicle expansion (net of used car sales) was US$102mm this quarter, compared with US$20mm cash inflow in 1Q18.
  - Management is guiding to approximately US$400 mm in fleet investment, net of used car proceeds, expanding the fleet by 16% to 200,000 cars.
  - We calculate an average implied cost per new vehicle of US$14k.
  - Cost of sales % of sales of used cars was 103.7% this quarter and 99.6% in 1Q18.
  - The company expects 30k used cars disposed in FY19, as it saw more demand this year and less vehicles retained for the car-sharing business.
- LTM gross and net leverage were flat q/q at 3.8x and 2.6x.
- In late April and early May, Car Inc launched an exchange offer for CARINC ’20. US$172mm out of US$500mm of CARINC ’20 were tendered. The holders in aggregate received US$2.6mm total cash and CARINC ’22 notes with same par value.
- Before the exchange, gross debt increased 5% q/q to US$1.9bn. Total cash increased 10% q/q to US$592mm. Net debt increased 2% q/q to US$1.3bn.
  - ST debt totaled US$1.2bn because US$500mm CARINC ’20 was booked as STD before the exchange.
  - Total cash was 49% of STD.
- Immediately after the exchange and concurrent issuance of CARINC ‘22, gross debt is expected to be US$2.1bn (US$ 1bn STD + US$1bn LTD). Total cash US$792mm. Net debt US$1.3bn.
  - Pro forma for the transaction total cash is expected to be 76% of STD.

Car Inc. (US$ mm)	1Q19	4Q18	1Q18	yoy	qoq
Net OCF	19	42	163	(89%)	(56%)
Capex - PPE	(5)	(8)	(3)	91%	(29%)
Net interest paid	(29)	(9)	(35)	(19%)	228%
FCF	(16)	26	125	(113%)	(161%)

Car Inc. (US$ mm)	1Q19	4Q18	1Q18	yoy	qoq
Gross debt	1,923	1,839	1,857	4%	5%
- STD	1,210	683	522	132%	77%
- LTD	713	1,156	1,334	(47%)	(38%)
Total cash	592	539	991	(40%)	10%
Net debt	1,331	1,300	866	54%	2%
LTM gross leverage	3.8x	3.7x	4.0x	(0.3x)	0.1x
LTM net leverage	2.6x	2.6x	1.9x	0.7x	(0.0x)
LQA gross leverage	3.4x	4.1x	3.7x	(0.3x)	(0.7x)
LQA net leverage	2.3x	2.9x	1.7x	0.6x	(0.5x)

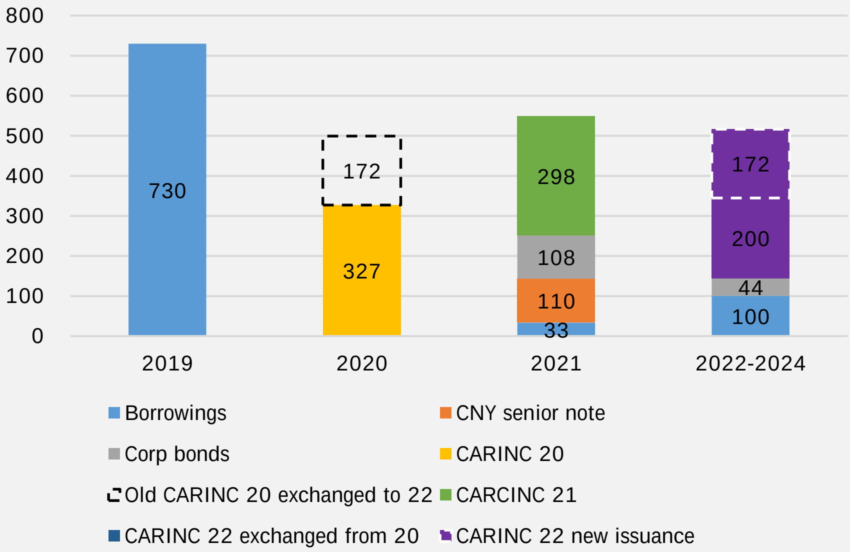
MARKET OUTPERFORM (CHINA):

CARINC 8.875% 22

1Q19 Debt Profile

- In 1Q19, the company has US$1,923mm debt outstanding, including:
    - US$864mm onshore bank borrowings.
    - US$797 USD senior notes.
    - US$110mm CNY senior note.
    - US$152mm CNY corp bonds.
- After the exchange offer of CARINC '20 and '22 in late April, the company's gross debt will increase by US$200mm with new issuance of CARINC '22.
- With US$792mm total cash after new issuance, the company needs to pay US$730mm borrowings in 2019.
- Management guides to US$363 to US$436mm net* Capex in 2019 to purchase 50k vehicles.

Gross Debt Term Structure, 1Q19 (US$mm)



Note:
** Net of proceeds from used vehicle sales.*

COLOMBIA

MARKET OUTPERFORM (COLOMBIA):

FECNN 9.70% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
FECNN 9.70% 06/25/2023	$350	-/BB-/B+	106.88	7.65%

Frontera Energy is an upstream oil and gas company, with production of nearly 75kboepd, mostly comprised of crude oil. Operations are focused in Colombia, although there are productive assets in Peru. Previously known as Pacific Rubiales, and changed its name after successfully emerging from a restructuring of nearly US$5.3bn in financial indebtedness. Its largest shareholder is The Catalyst Group, a Canada based private equity fund with a 31.2% interest. Additionally, the company is listed in the Toronto Exchange, with a market cap of US$1.0bn.

PROS:

- Efficient cost structure, with total operating costs of US$26/boe in 1Q19
- Strong capital structure: very low indebtedness and cash position practically equaling debt levels
- Access to both local and export markets
- Production recovery in 2Q19, reaching 74.3kbpd, highest level since 3Q16
- Hedged against lower Brent prices with put purchased at strikes of US$55-60

CONS:

- Low proven reserves, with 4.5yr of average P1 and 6.6 years of P2 at Dec-18
- Restructuring history.
- Meeting potential puts from IFC related to pipeline ownership could add 1.3x to net and leverage.
- Subject to significant contractual contingencies. We estimate a combined 1.6x on leverage resulting from all potential contingencies at 2019 EBITDA gudiance
- Low average reserves need substantial capex. Capex plan of US$325/375mm for 2019 vs EBITDA guidance of US$400-450mm
- Guerrilla attacks in Colombia against pipelines had disrupted operations in the past. Additionally, local community blockades in Peru resulted in another force majeure event for which production is expected to decrease in 3Q19 (Peruvian production averaged 10.0kbpd in 2Q19)

MARKET OUTPERFORM (COLOMBIA):

FECNN 9.70% 23s

SMALL CAP EMERGING MARKETS B/BB E&P PEER TABLE

(US$ MM)	Seplat	CGC	Tecpetrol	Frontera	Gran Tierra	Geopark	Tullow	Kosmos	Medco
Country	Nigeria	Argentina	Argentina	Colombia	Colombia	Chile	Pan African	Pan African	Indonesia
Mid yield (%)	7.23%	10.84%	5.49%	7.65%	7.66%	5.71%	5.80%	6.79%	6.61%
Rating (M/SP/F)	B2/B-/B-	-/B-/B	Ba3/-/BB+	-/BB-/B+	-/B+/B+	-/B+/B+	B3/B/-	-/BB-/BB	B2/B/B+
Bond maturity	2023	2021	2022	2023	2025	2024	2022	2026	2025
Amt Out (US$mm)	350	300	500	350	300	425	650	$650	$500
	1Q19	**1Q19 (ARS)***	**1Q19**	**1Q19**	**1Q19**	**1Q19**	**2H18**	**1Q19**	**1Q19**
Oil & Gas prod (kboed)	46.5	36.4	112.7	62.9	38.2x	39.6	83.7	56.1	90.0
Revenue	160	5,208	342	378	153	150	1,013	297	284
EBITDA	63	2,988	233	145	93	92	836	188	160
FCF	61	969	(74)	(23)	(53)	27	140	(96)	(28)
Gross debt	343	19,209	1,721	354	514	441	4,631	2,196	2,781
Net debt	(207)	17,565	1,703	13	450	294	4,452	2,061	2,213
LQA Gross leverage	1.3	1.6x	1.8x	0.6x	1.4x	1.2x	2.8x	2.9x	4.3x
LQA Net leverage	n/a	1.5x	1.8x	0.0x	1.2x	0.8x	2.7x	2.7x	3.5x

**Due to inflation adjustment figures are in ARS*

Source: Bloomberg as of 01/07/2019

MARKET OUTPERFORM (COLOMBIA):

FECNN 9.70% 23s

ANALYSIS OF 1Q19 RESULTS

- Revenue increased 50% q/q to US$378mm, as sales volumes expanded 19% and realized prices increased 10%
    - Excluding overlifts booked in 4Q18, sales volume would have remained unchanged at 59kbpd
    - Average realized price was US$54.3/bbl, a 10% q/q increase despite lower Brent as no losses on derivatives where booked in the quarter, compared to US$5.6/bbl in previous quarter
    - Production, however, fell 5% q/q to 67.9kbpd due to the suspension of Block 192 in Peru, which is reportedly now fully operational, with a current total production over 75kbpd
- EBITDA grew 22% q/q to US$145mm, with guidance of US$400-450mm for 2019 maintained
- Free cash flow before dividend payments was negative US$60mm, impacted by negative working capital as trade payables decreased and payments to IFC for covenants breaches
    - Capex during the quarter of US$64mm was below guidance of US$325-375mm for the year
    - During the quarter, Pacific Midstream (subsidiary) paid US$37mm in proceeds to IFC (minority shareholder) due to a put option exercised as Bicentenario pipeline was non-operational for six consecutive months. As a result, Frontera's ownership in Pacific Midstream increased to 43.0% from 26.4%
    - US$27mm dividends and share repurchases were paid to shareholders during the quarter
- Cash as a result decreased 24% q/q, although it nearly matched gross debt
- Annualized gross leverage improved to 0.6x from 0.7x, while net leverage is practically zero

FRONTERA (US$MM)	1Q19	1Q18	4Q18	y/y	q/q
Revenue	378	284	251	33%	50%
EBITDA	145	86	118	68%	22%
EBITDA margin	38.4%	30.3%	47.2%		

FRONTERA (US$MM)	1Q19	1Q18	4Q18	y/y	q/q
Total Debt	354	268	334	32%	6%
Cash and Equivalents	341	516	446	(34%)	(24%)
Net Debt	13	(248)	(112)	(105%)	(112%)
Leverage (Total Debt/LQA EBITDA)	0.6	0.8	0.7		
Net leverage (Net Debt/LQA EBITDA)	0.0	n/a	n/a		

FRONTERA (US$MM)	1Q19	1Q18	4Q18
EBITDA	145	86	118
Working capital	(115)	(46)	(3)
Dividends received	9	-	19
Fees paid on suspended capacity	-	(36)	(59)
Exercise of put options by IFC	(37)	-	-
Capex	(64)	(78)	(184)
Asset sale	-	83	4
Interest paid, net	4	(1)	(15)
Taxes paid	(1)	(5)	(1)
FCF	**(60)**	**4**	**(121)**

MARKET OUTPERFORM (COLOMBIA):

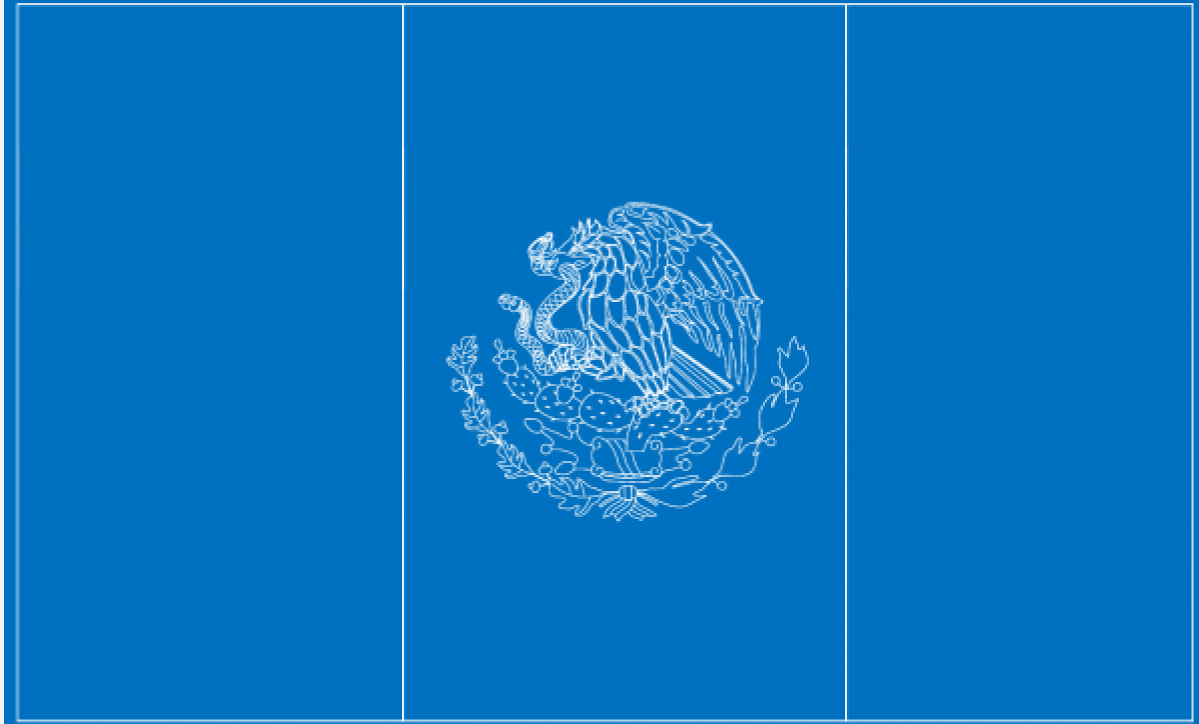
FECNN 9.70% 23s

OUTSTANDING CONTRACTUAL CONTINGENCIES

PUERTO BAHIA:
US$130mm equity agreed to be contributed to Puerto Bahía (owner of a multimodal import-export terminal and 39.22% indirectly owned by Frontera through its wholly-owned unrestricted subsidiary Pacinfra) in the event of certain project cost overruns, deficits in the funding of financing costs or reserve accounts, or failures to comply with certain financial covenants under its U.S.$370 million credit agreement.

IFC PARTIES PUT OPTION FOR ITS PACIFIC INFRASTRUCTURE SHARES
The IFC Parties have a put option to sell their Pacific Infrastructure shares to Frontera in the event Pacific Infrastructure has not conducted an initial public offering by December 1, 2019. Put price was valued at US$285mm at Mar-18. Pacific infrastructure holds 100% of Puerto Bahia and is 39.22% owned by Pacinfra. 0.7x impact on leverage at valued put price and 2019 EBITDA guidance

IFC PARTIES PUT OPTION FOR ITS PACIFIC MIDSTREAM SHARES
The IFC Parties have a put option to sell their 36.4% Pacific Midstream shares to Frontera (owner of a 63.64% stake) in the in the event that Frontera violates certain representations and covenants. Put price was valued at US$265mm at Mar-18. Nevertheless, these rights terminate once Frontera purchases the entire IFC Parties stake. 0.6x impact on leverage at valued put price and 2019 EBITDA guidance.



MEXICO

MARKET OUTPERFORM (MEXICO):

ALPHSA 10.00% 22s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
ALPHSA 10.00% 12/19/2022	$300	B1 / B+ / -	97.25	10.98%

AlphaCredit is a Mexican payroll lender with a core focus on Federal Government employees. Payroll loans account for 95% of the total loan portfolio with the remaining 5% focused on SMEs. Recent banking regulation proposal in Mexico is focused on banks, particularly service fees charged to consumers. Even under an unlikely extreme interest rate cap scenario, we see positive returns on a "Plan B" in simply collecting the existing loan book. We note Alpha's stable asset quality. We would like to see the 137% net debt to loans ratio decrease, as it had when we first upgraded. 1Q19 showed Colombia's PDLs doubling y/y even under an interest rate cap with strong SME growth as well. Softer Mexico PDL origination during 1Q19 was attributed to general policy uncertainty as the new Govt. took office.

PROS:

- High portfolio growth, increasing by 37% y/y in 1Q19 reaching 5x since 4Q15
- Payroll loans accounted for 95% of gross loans
- Main customers are Federal organizations (Government, Health, Education, etc.)
- As of 1Q19, Colombia and SMEs accounted for 13% and 5% of gross loans
- Strong Colombian PDL growth, as loans doubled y/y despite operating in an interest rate cap environment
- ALPHSA's portfolio seems to carry higher yields than peers as they target a broader range of customers, including lower income public sector employees
- Stable asset quality with NPLs and provisioning towards industry lows
- 59% of the total debt is USD denominated, with 100% of it being fully hedged
- Not impacted by recent regulatory proposals in Mexico, although this could change in the future, we currently see unlikely further regulation
- Feasible "Plan B portfolio run-off" under unlikely extreme interest rate cap scenario

CONS:

- Mexican Govt. dictates policies on unionized state and federal public sector organizations, subject to continuing uncertainty
- Rotation of administrators within Government entities and labor unions may affect current and future award of contracts
- Unsecured PDL loans, limiting collection if customers are terminated
- Potential collection difficulties (per OM disclosure from 4Q16 to 2Q18)
    - Accrued interest increased from 15% of gross loans to 22%
    - Other A/R increased from 13% of loans + other A/R to 17%
    - Net Debt / Loans (excl. A/R and Accrued) moved from 142% to 162% - the ratio improved to 137% as of 1Q19
- Negative 11% tangible capitalization due to the intangible assets resulting from past acquisitions of loan originators
- In 1Q19, secured debt accounted for 44% of total debt

MARKET OUTPERFORM (MEXICO):

ALPHSA 10.00% 22s

Recent 1Q19 Earnings – Soft

- 1Q19 Loan portfolio increased by 1% q/q to MXN$8,871 mm (US$460 mm), increasing by 37% y/y
    - Mexico's PDL's were 1% lower q/q at MXN$6,668 mm, yet increasing by 29% y/y driven by the Education and Govt. sectors
    - Colombia's PDL's were 11% higher q/q at MXN$1,161 mm, doubling from 1Q18 and reaching 13% of total loans
    - The consolidated PDL's increased to 95% of total loans, despite SME loans increasing by 49% q/q
- Interest income decreased by 4% q/q to MXN$690 mm (US$36 mm), as Colombian and SME loans incur lower rates
- Interest expense was 3% lower q/q at MXN$520 mm (US$27 mm), yet increasing by 27% on a y/y basis
- Fees collected appear to be normalizing to recurrent levels from origination and other leasing income
- Excl. fees, the NIM was 8% vs 9% last quarter, driven by the portfolio yield contraction from higher Colombian and SME loans
- ALPSHA's efficiency ratio was 83%, vs 63% last quarter primarily from the lower NIM
- We highlight the tangible equity ratio at negative 11%, due to the MXN$3,712 mm valuation of contract agreements from acquiring originators
- Total debt was MXN$13,263 mm (US$688 mm), while cash decreased to MXN$1,576 mm (US$82 mm)
    - Cash decrease was mainly from another decrease in taxes payable
- Net Debt to loan portfolio was 137%, vs 136% last quarter, in line with lower cash
- The NPL ratio improved slightly to 3.0%, vs 3.1% during last quarter

ALPHACREDIT (MXN MM)	1Q19	4Q18	1Q18	q/q	y/y
Interest Income	690	716	599	(4%)	15%
Interest Expense	520	534	408	(3%)	27%
Net Interest Income	170	182	191	(7%)	(11%)
Admin. Expenses	234	231	227	1%	3%
Net Operating Profit	49	106	1	(54%)	4,800 %

ALPHACREDIT (MXN MM)	1Q19	4Q18	1Q18	q/q	y/y
Total Assets	16,670	17,073	15,575	(2%)	7%
Total Debt	13,263	13,265	11,349	(0%)	17%
Cash & Equivalents	1,576	1,851	3,446	(15%)	(54%)
Net Debt	11,687	11,414	7,903	2%	48%
Total Loan Portfolio	8,871	8,745	6,481	1%	37%
Net Debt / Net Total Loans	**137%**	**136%**	**126%**		
Equity	2,261	2,331	2,280	(3%)	(1%)
Equity / Total Assets	14%	14%	15%		
Total Debt / Equity	587%	569%	498%		
NIM	8%	9%	12%		
Efficiency Ratio (excl. provisions)	82%	63%	86%		
NPL %	3.0%	3.1%	3.1%		
LQA Provision %	0.1%	1.4%	2.3%		
LQA Charge-offs %	1.8%	(0.7%)	6.2%		

NIGERIA

MARKET OUTPERFORM (NIGERIA):

FIDBAN 10.5% 22s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
FIDBAN	$350	B2/B-/B-	109.94	7.03%

Fidelity bank is a second-tier commercial bank in Nigeria, with a market share of around 4% of total assets. The bank has a network of 240 branches, 808 ATMs and nearly 4.5 million accounts. 98% of its shares are free float in the local exchange with over 400k shareholders.

PROS:

- NPLs of 4.9% are below system`s average and fully covered through allowances
- Stage II loans have significantly decreased in 1Q19 to 2% of total from 20% in Dec18
- Sound capitalization 150bps above minimum 15% requirement
- Strong liquidity, with cash and equivalents position amounting to nearly 66% of deposit base and 52% of total funding.
- Lower concentration on oil and gas sector compared to peers, although still high at 23% of total
- Strong interest collected to accrued of 95% in FY18
- With Diamond bank being purchased by Access and its Eurobonds being repaid next May, Fidelity will be the only tier-2 bank in Nigeria with bonds outstanding. In turn First Bank of Nigeria has announced the call over its international bonds.
- New ruling requiring minimum 60% loan to deposit ratio should not impact FIDBAN as its loan to deposits ended at 101% at Mar19

CONS:

- Efficiency ratio on the higher end among peers at 71% in FY18 and 68.4% in 1Q19
- Lower NIM than peers given by its driven by its more expensive deposit base, which in turn is lower in total financing compared with tier-1 banks
- At the end of 2018 CEO Nnadmi Okonkwo and other two directors of the bank, were accused of allegedly assisting Alison-Madueke, former petroleum minister and former executive director at the Nigeria National Petroleum Corporation, to conceal US$153mm through Fidelity Bank. We note that despite further investigation of Alison-Madueke, we have not seen charges filed or and further investigations of Fidelity's directors

MARKET OUTPERFORM (NIGERIA):

FIDBAN 10.5% 22s

1Q19 (N$bn)	Fidelity	UBANL	Access	Zenith	Ecobank
Outstanding bond	2022	2022	2021	2022	2024
Rating	-/B-/B-	-/B/B+	-/B/B	B2/B/B+	-/B-/B
Yield	7.14%	5.58%	5.03%	4.80%	6.67%
Asset quality					US$mm
Loans	1,024	1,763	2,600	1,938	8,583
NPLs (%)	4.9%	6.5%	10.0%	4.9%	9.8%
Stage 2 loans	2%	NR	NR	NR	10%
Interest collected / interest accrued	123%	100%	58%	97%	100%
Liquidity					
Deposit base	1,017	3,531	3,920	3,571	15,191
Loans to deposits	101%	50%	73%	54%	61%
Cash and equivalents / Funding sources	52%	71%	25%	49%	48%
Profitability					
NIM	5.1%	6.2%	5.6%	8.9%	4.8%
Cost / Income	68.4%	61.2%	53.2%	50.9%	66.2%
ROAA	1.3%	2.3%	2.9%	3.4%	1.5%
ROAE	12.2%	22.8%	30.9%	25.2%	18.7%
Capitalization		Dec18			
TIER 1	14.3%	19.2%	12.9%	23.5%	9.6%
Total CAR	16.5%	24.0%	19.1%	25.0%	12.8%

MARKET OUTPERFORM (NIGERIA):

FIDBAN 10.5% 22s

Analysis of 1Q19 results:

Asset quality

- Loans and advances increased 13% q/q to N$1,024bn (US$2.8bn)
- NPLs improved 80bps q/q to 4.9%. Guidance for 2019 is to remain below 6%
- We note Stage 2 strongly decreased to 2% of loan book from 20% in previous quarter, as the majority of them were transferred back to Stage 1
- Coverage remains above 1x at 115%
- Cost of risk in the year increased 10bps y/y to a still low 50bps
- Interest collected per cash flow to interest accrued per income statement was above 1x at 123% (95% in FY2018)

Profitability

- Net interest income before provisions decreased 3% y/y to N$16bn (US$44mm)
- NIM in FY18 weakened 160bps y/y and 70bps from FY18 as cost of funds increased 40bps while yield on assets dropped 20bps
- Operating expenses increased 10% y/y to N$17bn (US$46mm)
- Cost / Income ratio improved 430bps y/y to 68.4%
- ROAA and ROAE of 1.3% and 12.2%

Liquidity

- Deposit base increased 4% q/q to N$1,017bn (US$2.8bn)
- Gross loans to deposit ratio increased 8 p.p. q/q to 101%
- Liquidity is vast, with cash and equivalents accounting for 66% of deposit base and with a liquidity ratio of 37%

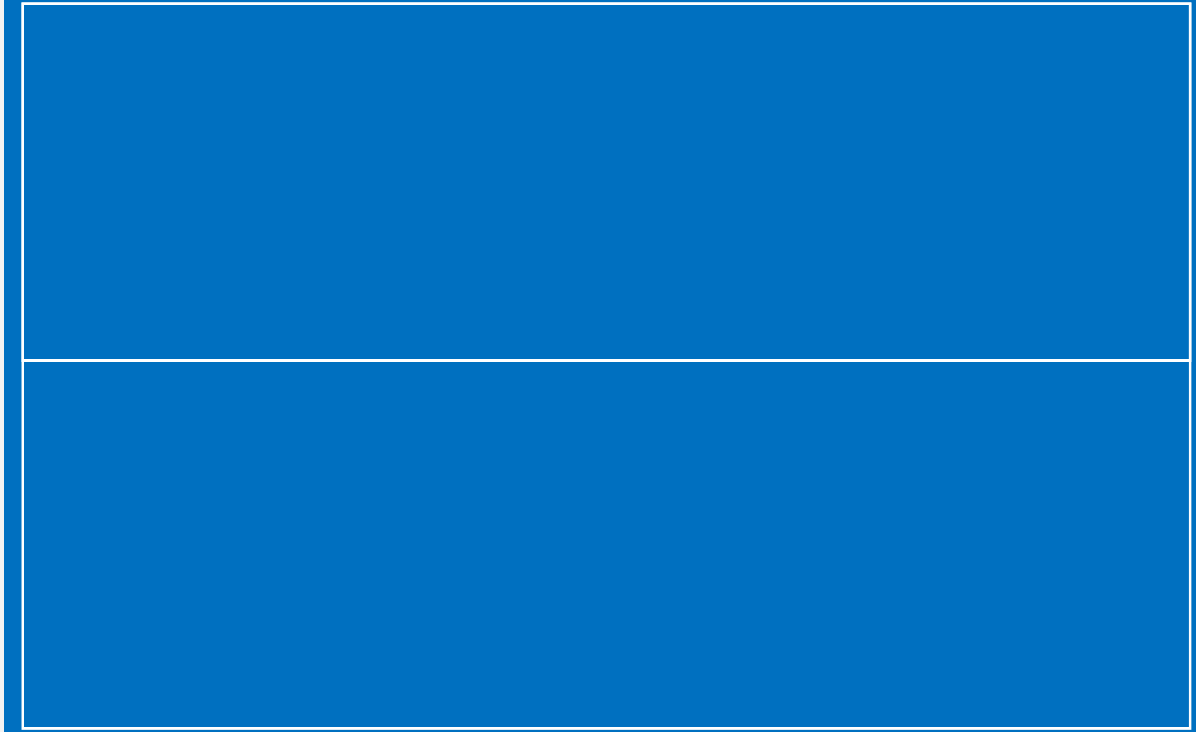
Capitalization

- Total CAR decreased 20bps q/q to 16.5%, 150bps above minimum requirement of 15%

FIDBAN (N$bn)	1Q19	1Q18	4Q18	y/y	q/q
Financial income	39	38	40	3%	(4%)
Financial expenses	(23)	(21)	(22)	7%	5%
Net interest income before provision	16	16	19	(3%)	(15%)
Provisions	(1)	(1)	(1)	47%	11%
Income from services, net	5	4	1	47%	557%
Operating expenses	(17)	(15)	(22)	10%	(23%)
NIM	5.1%	6.7%	5.8%		
Cost / Income	68.4%	72.7%	71.1%		
Estimated ROAA	1.3%	1.3%	1.1%		
ROAE	12.2%	10.4%	11.8%		

FIDBAN (N$bn)	1Q19	1Q18	4Q18	y/y	q/q
Loans and advances	1,024	794	907	29%	13%
Total deposits	1,017	859	979	18%	4%
NPL / gross loans	4.9%	6.3%	5.7%		
Loans to Deposits	100.7%	92.4%	92.6%		
Cash and equivalents to deposits	66.4%	64.6%	70.0%		
Capital Ratio	16.5%	16.0%	16.7%		

UKRAINE



MARKET OUTPERFORM (UKRAINE):

RAILUA 8.25% 24s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
RAILUA 8.25% 07/09/2024	$500	- / - / B-	101.25	7.94%

Ukrzaliznytsia (Ukrainian Railways), Ukraine's railway monopoly, with a combined total length of track over 19,786 km (or 12,295 miles), which makes the country's railroad network the 14th largest globally and 3rd largest in Europe. This state company is one of the largest employers in the country with over 272,000 employees and one of the largest contributors to Ukraine's GDP (2.3% in 2018). Among largest clients are Metinvest, DTEK, Ferrexpo and ArcelorMittal Kryvy Rih.

PROS:

- Natural monopoly with a strong market position – 80% of all freight cargo in the country is transported by rail as well as 32% of passengers
- Strong government support - 100%-owned by the state due to importance of the company to the country's economy (2.34% of GDP in 2018). Rationalization of tariffs supports profitability and investment program.
- Perfect geographical location – bordering seven countries, Ukrainian railway is a natural transportation hub between the EU and Central Asia

CONS:

- Ambitious capex program – the company has been gradually increased its capex over the past few years due to a need to update equipment, purchase of locomotives and rolling stock:
- Dependency on constant tariff increase – although the company is working on having automatic increase of tariffs for rail cargo transportation in line with PPI (Producer Price Index)
- Tariff increase requires an approval by the state, and historically was the following: 15% in 2016, 15% in 2017, no changes in 2018 and 14.2% on March 30, 2019 (corresponds with 2018 PPI)
- Loss-making passenger transportation - the government compensates the company only part of expenses related to passenger transportation: 13% in 2018, up from 11% in 2017

MARKET OUTPERFORM (UKRAINE):

RAILUA 8.25% 24s

2018 IFRS Financial Results

Ukrainian Rail, USD MM	2H18	2H17	y/y	1H18	h/h	2018	2017	y/y
Revenue	1,581	1,380	15%	1,524	4%	3,035	2,638	6%
EBITDA	336	365	-8%	269	25%	593	717	-4%
Interest	(49)	(60)	-19%	(56)	n/a	(102)	(123)	-19%
Capex	(286)	(231)	24%	(273)	5%	(547)	(388)	53%
Taxes Paid	(2)	(9)	-79%	(6)	-68%	(7)	(13)	-38%
FCF (pre-working capital)	(2)	65	n/a	(66)	-98%	(64)	194	n/a
Working Capital, net change	39	(18)	n/a	(52)	n/a	(11)	(61)	-82%
FCF (post-working capital)	37	47	-21%	(117)	n/a	(75)	133	n/a
EBITDA margin	21%	26%	-5pp	18%	3pp	20%	27%	-7pp
Shareholder's Equity	7,647	7,521	2%	8,050	-5%	7,647	7,521	-5%
Short Term Debt	632	410	54%	567	11%	632	410	-39%
Long Term Debt	585	811	-28%	628	-7%	585	811	-11%
Total Debt	1,217	1,222	0%	1,195	2%	1,217	1,222	-23%
Cash	46	185	-75%	59	-22%	46	185	-23%
Net Debt	1,172	1,036	13%	1,136	3%	1,172	1,036	-22%
Leverage	1.8x	0.8x	117%	2.2x	-18%	2.1x	1.7x	-19%
Net Leverage	1.7x	0.7x	146%	2.1x	-17%	2.0x	1.4x	-19%
FX (UAH/USD)	27.48	28.02	-2%	26.23	5%	27.48	28.02	5%

2018 IFRS Financial Results:

- Revenue – the top line benefitted from revenue growth from passenger segment (+15.7% y/y) and cargo operations (+12.3% y/y), the latter contributing 81% to the total revenue
  - 2H18 - UAH 43.4 billion (+12% y/y and +9% h/h)
  - 2018 - UAH 83.4 billion (+13% y/y)
- EBITDA – was negatively affected by growing opex (+16.3% y/y), including staff costs, which were up 27% y/y
  - 2H18 - UAH 9.2 billion (-10% y/y and +30% h/h) with EBITDA margin of 21% (-5pp y/y and +3pp h/h)
  - 2018 - UAH 16.3 bln (-19% y/y) with EBITDA margin of 20% (-7pp y/y)
- Liquidity – as at end-2018, UAH 1.25 billion in cash and equivalents (-76% y/y)

MARKET OUTPERFORM (UKRAINE):

RAILUA 8.25% 24s

2018 IFRS Financial Results (continued)

Ukrainian Rail, USD MM	2H18	2H17	y/y	1H18	h/h	2018	2017	y/y
Revenue	1,581	1,380	15%	1,524	4%	3,035	2,638	6%
EBITDA	336	365	-8%	269	25%	593	717	-4%
Interest	(49)	(60)	-19%	(56)	n/a	(102)	(123)	-19%
Capex	(286)	(231)	24%	(273)	5%	(547)	(388)	53%
Taxes Paid	(2)	(9)	-79%	(6)	-68%	(7)	(13)	-38%
FCF (pre-working capital)	(2)	65	n/a	(66)	-98%	(64)	194	n/a
Working Capital, net change	39	(18)	n/a	(52)	n/a	(11)	(61)	-82%
FCF (post-working capital)	37	47	-21%	(117)	n/a	(75)	133	n/a
EBITDA margin	21%	26%	-5pp	18%	3pp	20%	27%	-7pp
Shareholder's Equity	7,647	7,521	2%	8,050	-5%	7,647	7,521	-5%
Short Term Debt	632	410	54%	567	11%	632	410	-39%
Long Term Debt	585	811	-28%	628	-7%	585	811	-11%
Total Debt	1,217	1,222	0%	1,195	2%	1,217	1,222	-23%
Cash	46	185	-75%	59	-22%	46	185	-23%
Net Debt	1,172	1,036	13%	1,136	3%	1,172	1,036	-22%
Leverage	1.8x	0.8x	117%	2.2x	-18%	2.1x	1.7x	-19%
Net Leverage	1.7x	0.7x	146%	2.1x	-17%	2.0x	1.4x	-19%
FX (UAH/USD)	27.48	28.02	-2%	26.23	5%	27.48	28.02	5%

2018 IFRS Financial Results (continued):

- Capex – the company proceeds with its ambitious capex plan that was unveiled in July 2017:
  - 2H18 – UAH 7.9 billion (+21% y/y and +10% h/h)
  - 2018 – UAH 15.0 billion (+38% y/y)
  - 2016 – 2018 capex: UAH 6.8 billion in 2016, UAH 10.9 billion in 2017, UAH 15 billion in 2018 and
  - 2019 capex: UAH 18 billion are budgeted for the current year, of which UAH 6 billion (32%) is expected to be financed by external debt and US$12 billion (68%) – from operating cash flow

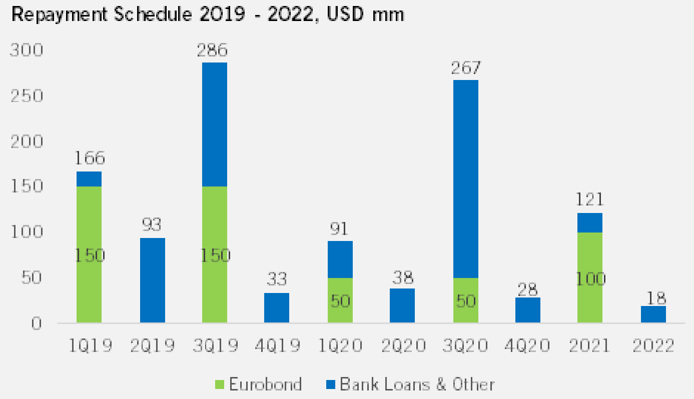
MARKET OUTPERFORM (UKRAINE):

RAILUA 8.25% 24s

2018 IFRS Financial Results (continued):

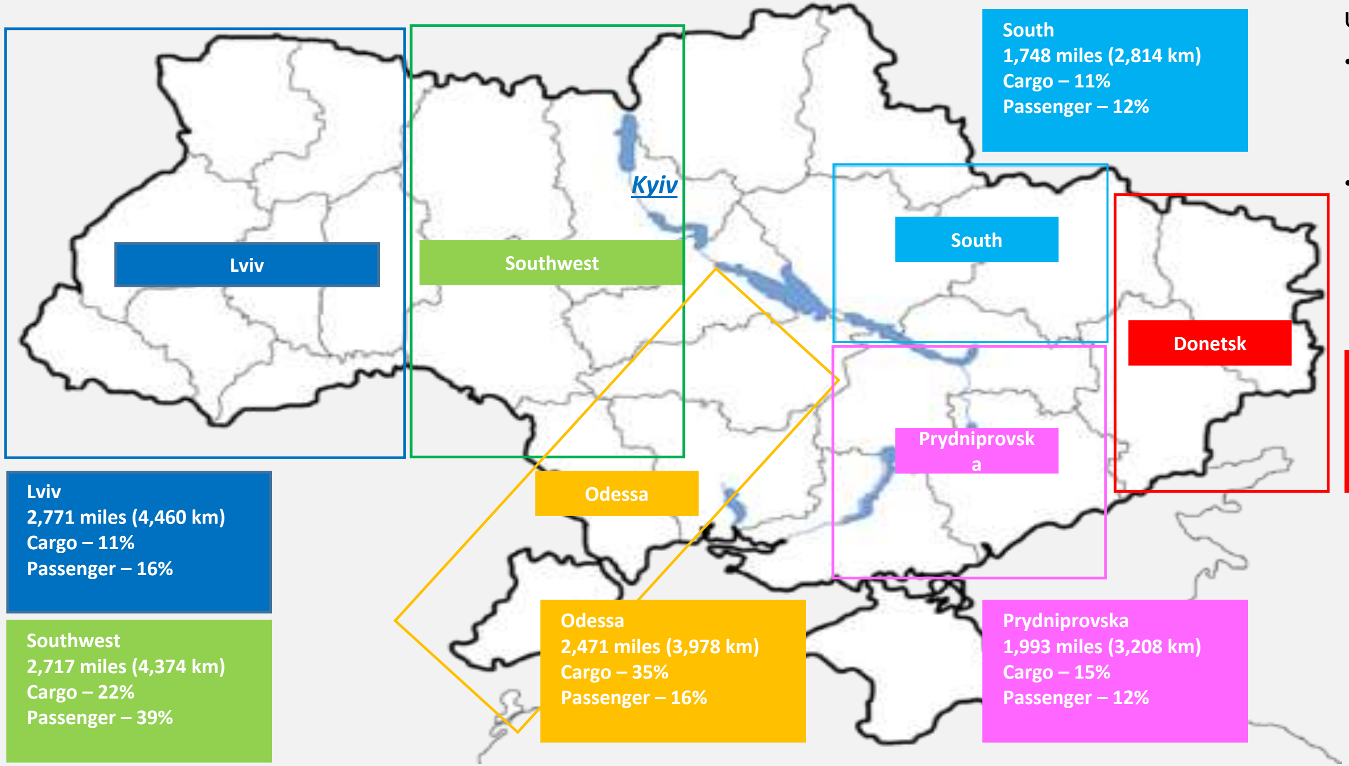
- FCF
  - 2H18 FCF – negative (pre-working capital) on higher capex (+10% h/h) despite higher profitability (EBITDA up 30% h/h); turned positive (post-working capital) on lower inventories
  - 2018 FCF - negative (pre- and post-working capital) on lower profitability and higher capex (+38% y/y) despite; despite positive development in working capital
- Net Leverage – 2.0x (vs. 1.4x in 2017); however, on LHA basis, it moved down to 1.7x as profitability improved in 2H18
- Recent Developments
  - March 2019, the company amortized US$150 mm of its US$500 mm RAILUA 21s Eurobonds.
  - September 2019 – the upcoming repayment of US$150 mm towards its US$500 mm RAILUA 21s Eurobonds; please see below for 2019 – 2022 repayments schedule

In early July 2019, Ukrzaliznytsia (Ukrainian Railways), Ukraine's state owned rail monopoly placed new 2024 Eurobond at 8.25%. At nearly 200 bps wide to the same dated sovereign, RAILUA came 2x wider than the average of our BCP Quasi Sovereign universe. Accordingly, we like this name based on sound credit metrics (2.0x trailing net leverage) and a rational tariff structure with an ambitious but manageable capex program. We do expect leverage to move higher as capex is deployed but do not expect it to materially exceed 3.0x which we feel quite manageable for the business profile. We highlight dependency on continual tariff increases (14.2% in 2019), the company is working on an automatic tariff increase. Maturity profile extension is a credit positive, in our view. We assign the new RAILUA 24s a 'Market Outperform'.



MARKET OUTPERFORM (UKRAINE):

RAILUA 8.25% 24s



Lviv
2,771 miles (4,460 km)
Cargo – 11%
Passenger – 16%

Southwest
2,717 miles (4,374 km)
Cargo – 22%
Passenger – 39%

Odessa
2,471 miles (3,978 km)
Cargo – 35%
Passenger – 16%

South
1,748 miles (2,814 km)
Cargo – 11%
Passenger – 12%

Prydniprovska
1,993 miles (3,208 km)
Cargo – 15%
Passenger – 12%

Donetsk
1,743 miles (2,806 km)
Cargo – 6%
Passenger – 5%

UKRAINIAN RAILWAY

- Consists of five regional companies; Ukrainian Railways does not have an operational control over Donetsk Railways, the sixth one, and its debt was carved out
- Its fleet consists of (2018):
  - Locomotives – 3,591 (100%)
  - Passenger cars – 4,323 (100%)
  - Freight cars – 85,165 (51%)

MARKET UNDERPERFORM

ARGENTINA

ARCOR 6% 23s
ARCO 6.625% 23s

BRAZIL

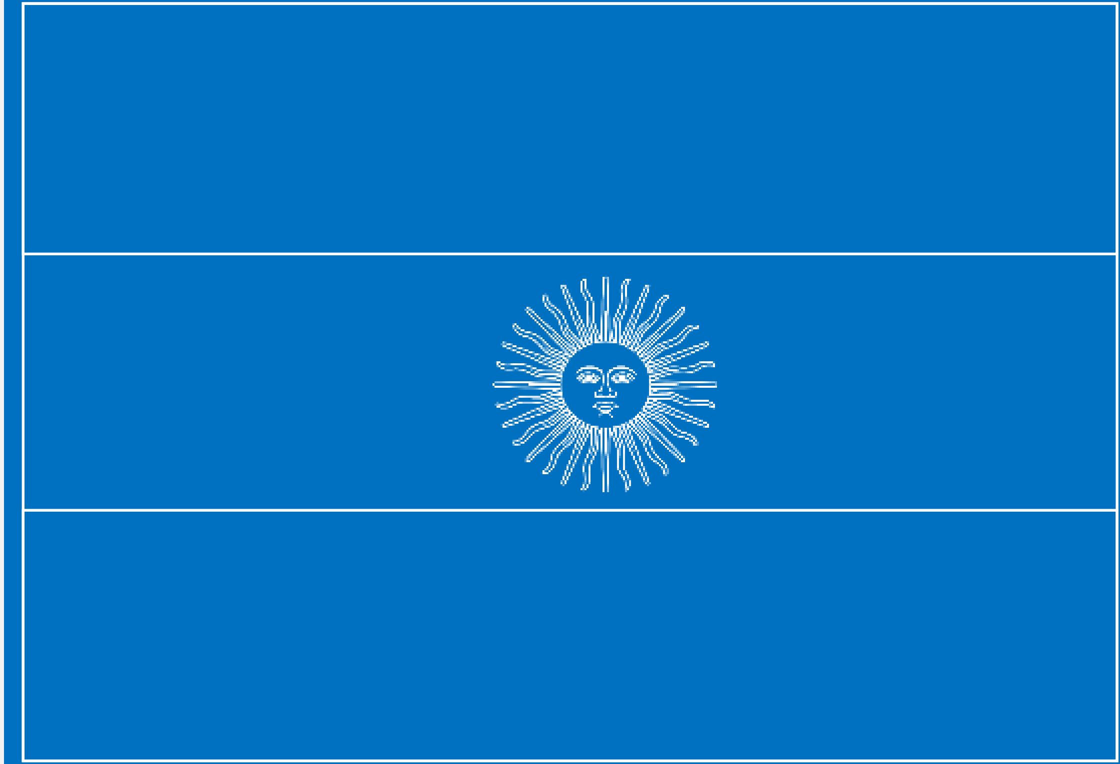
KLAB 5.25% 24s

CHILE

AESGEN 5.00% 25s

MEXICO

TELVIS 4.63% 26s



ARGENTINA

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ARCOR 6% 09/27/2023	$500	Ba3/-/BB-	100.10	5.97%

Grupo Arcor is a leading confectionary and food company in Argentina, the largest candy 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 cookies and cereal production in Latin America. Further, through the recent agreement with Mastellone, the company will become the controlling shareholder of the leading dairy products company in Argentina.

PROS:

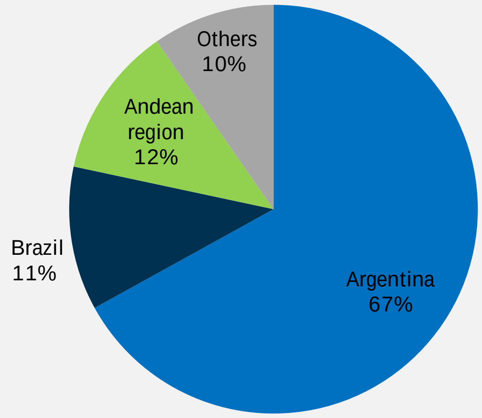
- International presence, with 40 plants distributed in Latin America, exporting to more than 120 countries
- Solid brand reputation
- Vertically integrated. Zucamor purchase in 2017 moved the company forward in self supply of key raw materials (packaging, bottles and corrugated boxes)
- Rated above sovereign ceiling by both Moody's and Fitch, as cash generated from exports and cash held abroad is considered by rating agencies more than enough to cover near term USD debt service. However we note that export volume share in total is low and exposure to Argentina is high

CONS:

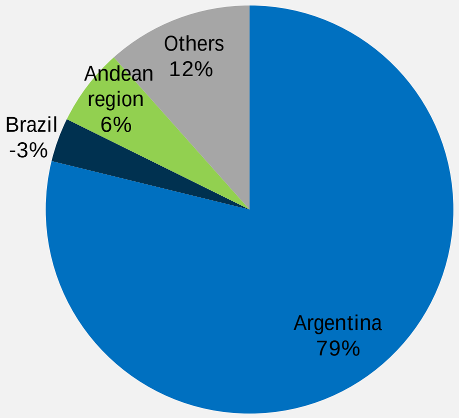
- Significantly exposed to Argentina: Only 8% of sales volumes are exports. Argentina accounts for nearly two thirds of revenues (including exports) and 80% of EBITDA.
- F/X risks on local sales, which are based in local currency, partially mitigated by exports
- Challenging environment in Brazil, which continuously books negative EBITDA
- Highly leveraged (LQA 1Q19 net leverage 4.9x)
- Liquidity deteriorated, as cash falls below ST debt at 27% compared to 44% in 4Q18 and 51% one year ago. However, we note that most of the ST debt refers to local banks denominated in ARS
- Arcor and Mastellone shareholders agreement could further increase leverage. Mastellone results are subject to volatility of international milk prices and soft demand in Argentina

ARCOR 6% 23s

CONSOLIDATED REVENUE BY REGION (1Q19)



CONSOLIDATED EBITDA BY REGION (1Q19)



SALES VOLUME EVOLUTION BY MARKET

'000 tons	Local sales	Exports	Exports as % of total
1Q19	386	34	8%
2018	1,614	102	6%
2017	1,562	112	7%
2016	1,415	102	7%
2015	1,387	89	6%
2014	1,395	93	6%

Source: Arcor 1Q19 results

Significant exposure to Argentina: the country represents 67% of consolidated revenue and nearly 80% of consolidated EBITDA.

Additionally, exports, which represent the company's USD income given that local sales are in domestic currency, only accounts for 8% of consolidated sales volume

MARKET UNDERPERFORM (ARGENTINA):

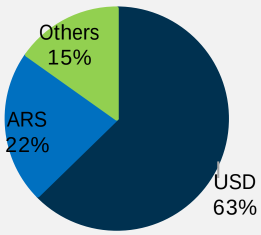
ARCOR 6% 23s

LIQUIDITY IS THIN, ALTHOUGH NEAR TERM MATURITIES ARE MOSTLY BANK DEBT IN ARS

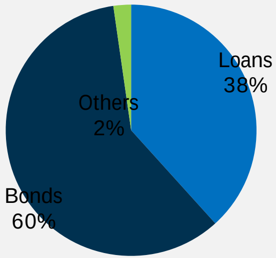
- Cash and equivalents position at Mar 31, 2019 ended at US$83mm, compared to a ST debt of US$313mm
- ST corresponds mostly to local bank debt, which is denominated mostly in ARS

US$mm	Mar19
Cash and cash equivalents	109
Short term debt	313
Bank debt	287
Bonds	16
Leasing	9

TOTAL DEBT PER CURRENCY (DEC18)

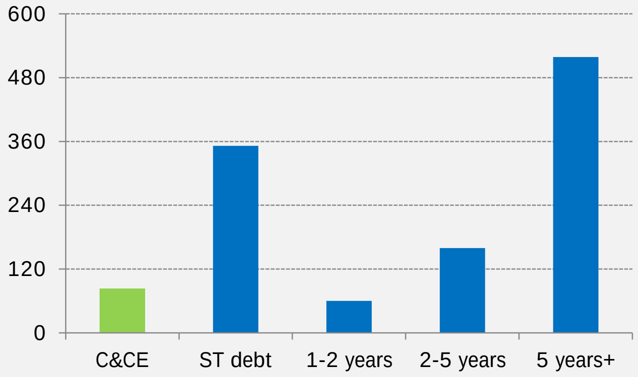


TOTAL DEBT BY INSTRUMENT (MAR19)



AMORTIZATION SCHEDULE 03.31.2019

US$MM



Source: Arcor 1Q19 results

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

ANALYSIS OF 1Q19 RESULTS

- Revenue increased 9% y/y to AR$25,079mm, with a 4% increase in sales volumes, mainly from industrial divisions (+3%) and on a minor extent on consumer division (+1%)
    - Revenue disclosure by country: Argentina 67%, Brazil 11%, Andean countries 12%, others 10%
    - 8% of sales volumes referred to exports and 92% to local sales
- EBITDA, however, contracted 28% y/y to AR$1,841mm due to a 21% in raw materials purchases. EBITDA in Argentina decreased 23% y/y while in Brazil it returned to negative territory
    - EBITDA disclosure by country: Argentina 85%, Brazil (-4%), Andean countries 7%, others 12%
- EBITDA margin dropped 390bps y/y to 7.3%
- Free cash flow was negative AR$2,818mm, with significant higher working capital, mainly trade receivables, an higher coupon payments
- Gross debt increased 7% q/q to AR$39,988mm, while net debt grew 14% q/q to AR$36,381mm
- Cash position ended at AR$3,608mm, accounting for 27% of ST debt, compared to 44% a quarter ago
- Annualized net leverage increased to 4.9x from 3.9x in FY18

ARCOR (AR$MM)	1Q19	1Q18	y/y
Revenue	25,079	22,970	9
EBITDA	1,841	2,571	(28%)
EBITDA margin	7.3%	11.2%	

ARCOR (AR$MM)	1Q19	4Q18	y/y
Total Debt	39,988	37,294	7%
Cash and Equivalents	3,608	5,365	(33%)
Net Debt	36,381	31,929	14%
Leverage (Total Debt/LQA EBITDA)	5.4	4.5	
Net leverage (Net Debt/LQA EBITDA)	4.9	3.9	

ARCOR (AR$MM)	1Q19	1Q18
EBITDA	1,841	2,571
Working capital	(1,997)	(1,718)
Capex	(581)	(1,226)
Interest paid	(1,967)	(1,050)
Taxes paid	(114)	(452)
FCF	(2,818)	(1,875)

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

AGREEMENT ARCOR AND MASTELLONE

- Until 2020 Mastellone family and Dallpoint (shareholder of Masher) have put options to sell shares to Arcor and Bagley but must keep a combined 51% ownership. After Jul2020, they have the option to sell their remaining shares
- 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:
    - May-19: 4.87% for US$13.7mm (US$2.8mm for every 1%)
    - Jun-18: 2.40% for US$6mm (US$2.5mm for every 1%)
    - 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$2.9mm, for the remaining 52.5%, total cost will be US$152mm
- Consolidating MASHER and assuming US$152mm will be funded with debt issuance, pro forma net leverage at consolidated 1Q19 debt and EBITDA would be 5.8x (up from Arco's 4.9x at 1Q19)
    - Should the purchase of the remaining stake be funded with own cash generation, pro forma net leverage would be 5.0x
- We acknowledge this transaction is unlikely to happen before 2020. Actual numbers can differ from these calculations

MASHER (ARS MM)	1Q19	2018
Revenues	9,208	34,233
EBITDA	465	1,328
Free cash flow	**159**	**(1,271)**
Gross debt	8,988	7,441
Cash and equivalents	736	576
Net debt	8,252	6,866
LTM Gross leverage	4.8	5.6
LTM Net leverage	**4.4**	**5.2**

ARCOR + MASHER (ARS MM)	1Q19	1Q19
Revenue	34,287	34,287
EBITDA	2,306	2,306
Gross debt	56,349(*)	48,976
Cash and cash equivalents	2,577	2,577
Net debt	53,773	46,399
LTM Gross leverage	6.1x	5.3x
LTM Net leverage	**5.8x**	**5.0x**

(*) Arcor + Masher + US$152mm to fund remaining Masher stake + US$13.7MM for May19 stake purchase

MARKET UNDERPERFORM (ARGENTINA):

ARCOR 6% 23s

Argentine Corporates USD curve

Source: BCP Securities as of 01/07/2019

MARKET UNDERPERFORM (ARGENTINA):

ARCO 6.625% 23s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
ARCO 6.625% 09/27/2023	$348	Ba2 / /BB+	108.63	4.36%

Arcos Dorados is the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants (2,225). The company has the exclusive right to own, operate and grant franchises of McDonalds restaurants in 20 Latin American and Caribbean countries, although Brazil accounts for 75% of its EBITDA generation. The company is NYSE listed, with a market cap of US$1.5bn.

PROS:

- Largest McDonald's franchise in terms of systemwide sales and number of restaurants
- Operates in 20 Latin American and Caribbean countries, with vast presence in many
- Strong brand recognition
- Investment plan to open 80/85 restaurants in 2019, with US$270-300mm capex
- Excluding new debt added per IFRS 16, debt profile is comfortable, with no significant maturities until 2023
- Rated well above sovereign, although not an Argie corp per se, as major EBITDA generation comes from Brazil

CONS:

- Operates in a very competitive segment against other fast food chains and recently from what people consider healthier stores
- Short USD: f/x risk on every region, revenues are based in local currency and part of the costs and debt are in USD dollars
- Uncertainty over Venezuelan operations
- IFRS 16 resulted in US$865mm new debt accounted as operational leases. We estimate that if adding to financial debt, reported LTM leverage of 1.5x increases to 4.7x (5.5x on an LQA basis)
- We expect current trends to continue, especially given weaker than expected economic environment in Brazil, main market of operations, and Argentina. Potential
- Positive effect on EBITDA as per IFRS 16 implementation, not disclosed by company, appear not enough to offset significant indebtedness increase

MARKET UNDERPERFORM (ARGENTINA):

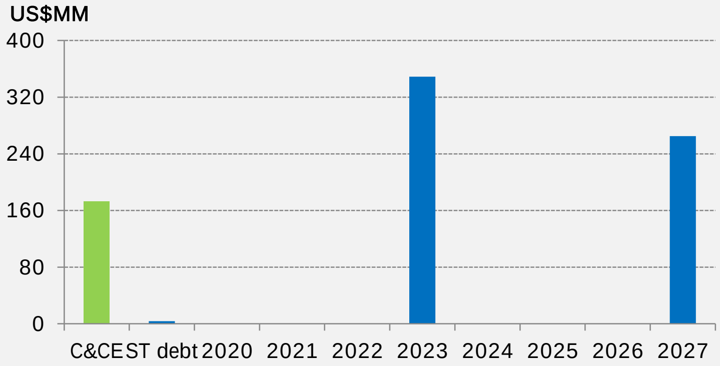
ARCO 6.625% 23s

STRONG LIQUIDITY. SIGNIFICANT DEBT ADDITION PER IFRS 16

- Cash and equivalents position at Mar 31, 2019 ended at US$173mm, compared to a ST debt of US$66mm
- ST corresponds mostly to operating leases, which started being included as liabilities following the implementation of IFRS 16
- We highlight that the new norm also resulted in the addition of US$802mm non-current operating liabilities, for which total new debt added per IFRS 16 was equivalent to 134% of 4Q18 end-debt levels without IFRS 16 accounting. We note that leverage ratio and financial indebtedness reported by the company does not include new debt under IFRS 16.

US$mm	Mar19
Cash and cash equivalents	173
Short term debt	66
Leasing (added per IFRS 16)	62
Bonds	4

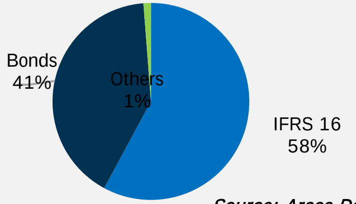
AMORTIZATION SCHEDULE 03.31.2019 (*)



(*) Excluding leasing debt per IFRS 16

TOTAL DEBT PER CURRENCY (MAR19) (*)

TOTAL DEBT BY INSTRUMENT (MAR19)



Source: Arcos Dorados 1Q19 results

MARKET UNDERPERFORM (ARGENTINA):

ARCO 6.625% 23s

ANALYSIS OF 1Q19 RESULTS

- Revenues decreased by 14% y/y, down 3% q/q to US$ 731mm, mainly driven by weaker currencies in Brazil and Argentina, as on a constant currency basis, revenue increased 12% y/y
- Excluding Venezuela, revenue decreased 9% y/y
- EBITDA increased 55% y/y, down 30% q/q to US$61mm, against a weak 1Q18, heavily impacted by results in Venezuela
- Excluding Venezuelan operations, EBITDA amounts to US$62mm, down 9% y/y
- Free cash flow, before returns to shareholders, was negative at US$16mm due to weaker EBITDA and WK expansion, although capex of US$37mm was well below FY2019 guidance of US$270-300mm
- Gross Debt, including financial leases, spiked sequentially, up 1.3x q/q, to US$1.5bn, given IFRS 16
- Gross Debt includes US$643mm from financial debt published in balance sheet and US$865 under leases operating liabilities
- ARCO reports gross debt of US$585mm in earnings report made up of financial debt and net derivatives position
- LTM net leverage including financial leases deteriorated significantly to 4.7x (5.5x on LQA basis), from 1.5x in 4Q18
- Reported LTM net leverage, which excludes financial leasing, stood at 1.5x in 1Q19

ARCOS (USD MM)	1Q19	4Q18	1Q18	q/q	y/y
Revenue	731	753	850	(3%)	(14%)
EBITDA	61	86	39	(30%)	55%
EBITDA margin	8.3%	11.4%	5.0%		

ARCOS (USD MM)	1Q19	4Q18	1Q18	q/q	y/y
Total Debt	1,508	644	633	134%	138%
Cash and Equivalents	173	197	237	(12%)	(27%)
Net Debt	1,335	447	396	199%	237%
Leverage (Total Debt/LQA EBITDA)	6.2	1.9	4.1		
Net leverage (Net Debt/LQA EBITDA)	5.5	1.3	2.5		
Leverage (Gross Debt/EBITDA LTM)	5.5	2.5	2.3		
Net Leverage (Net Debt/EBITDA LTM)	4.9	1.7	1.5		
Net Leverage (Net Debt Reported/EBITDA LTM)	4.7	1.5	1.4		

ARCOS (USD MM)	1Q19	4Q18	1Q18	q/q	y/y
EBITDA	61	86	39	(30%)	55%
Working capital	(10)	38	(37)		(73%)
Capex	(37)	(78)	(24)	(52%)	56%
Assets sale	-	6	2		
Interest paid	(18)	(9)	(21)	101%	(15%)
Taxes paid	(11)	(11)	(8)	0%	37%
FCF	**(16)**	**33**	**(49)**		(68%)

BRAZIL

MARKET UNDERPERFORM (BRAZIL):

KLAB 5.25% 24s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
KLAB 5.25% 07/16/2024	$271	(-/BB+/BB+)	104.88	4.16%

Klabin is a Brazil's largest paper producer, exporting almost half of its production. Through the recently completed Puma mill (1.5mm MT),, it is also a pulp producer. Klabin's installed capacity is 2mm MT of coated boards and kraftliner sack kraft. Pulp is mainly sold to Fibria through a six-year purchase agreement – that expired last quarter. Listed in Brazilian stock exchange Ibovespa - current US$4.9bn market cap.

PROS:

- Largest Brazilian paper producer and exporter
- Leading position in Brazil with 50% share in coated board and industrial bags and 40% share in kraftliner
- Paper sales in the local market (50% of total) provide hedging against local currency appreciation
- Low cash cost levels compared to international peers, US$185/t in 1Q19
- Higher product diversification, Pulp sales around 50% EBITDA (ex. Suzano around 90% pulp)

CONS:

- Both pulp and paper are based on international prices
- Pulp prices declined significantly on weaker demand on China and oversupplied market – reaching USD532/ton – lowest since Jan/17
- Puma II project – construction of two pulp integrated packaging paper machines parallel to Pulp unit in the midst of weak demand can spike leverage for upcoming years.
    - Capex intensive expansion at R$9.1bn, disbursed between 2019-2023 (2/3 disbursed during 2019-2021)

MARKET UNDERPERFORM (BRAZIL):

KLAB 5.25% 24s

<u>Puma II expansion Project</u>

- Construction of two pulp integrated packaging paper machines parallel to the Puma unit (pulp mill)
    - For a 920 ktons/year of additional Kraftliner paper capacity
- The project will be divided into two stages, each stage relative to one machine construction
    - First stage will add 450 kton/year capacity expected to be finalized by 2Q21
    - Second stage will commence after first machine start-up, adding 470 kton/year capacity, expected to be finalized by 2Q23
- Project has an estimated gross capex of R$9.1bn, to be disbursed between 2019-2023
    - R$0.9bn of the investment announced accounts for recoverable taxes
    - 2/3 of investments will be made at more intensive stage, 2019-2021
- Company states it intends to use (50%-60%) of cash generation and cash position to fund investment, while still considering new debt upon attractive conditions

- During expansion phase, utilizing 60% cash position and 40% cash generation, we estimate net leverage to reach 4.5x
- We estimate after 2nd stage completion, on an additional 920ktons/year kraftliner sales, at a 50% EBITDA margin, a R$1.2bn/year incremental EBITDA
- Which, post project ramp up can take net leverage back to around 2.0x

- Commodity risk can lead to higher leverage levels, particularly during project expansion phase on higher investment needs

MARKET UNDERPERFORM (ARGENTINA):

KLAB 5.25% 24s

ANALYSIS OF 1Q19 RESULTS

- Revenue decreased 10% q/q and 2% y/y, missing consensus by 3%, to US$660mm, driven mainly by lower volumes pulp prices
- In BRL revenue decreased 11% q/q, though up 14% y/y, to R$2.5bn
- Total sales volume decreased 11% q/q, while pulp volumes decreased 5% q/q, to 396 ktons
    - At 396 ktons, despite sequential decrease, company continues to produce, run rate, above nominal Puma production capacity
    - Pulp realized prices decreased 12% q/q
- EBITDA decreased 10% q/q, though up 14% y/y to US$267, in line with consensus
- FCF positive at US$14mm, a sequential decrease, driven by WK expansion and weaker EBITDA
    - WK expansion came on top of higher inventories, preparing for upcoming maintenance stoppages, and reduced suppliers payables
- Gross debt increased 3% q/q, to US$5.2bn
- Company issued US$1bn on 29s and 49s bonds, US$500mm each, at 5.75% and 7.00% coupon rates, respectively
- Annualized gross and net leverage deteriorated to 4.9x and 3.1x from 4.2x and 2.7x last quarter, respectively
- Additionally, 1Q19 marked the last quarter of the short fiber supply agreement (min. 900 kton/year) of Klabin with Fibria
    - Company will now sell output directly to clients
- Subsequent to the quarter, Klabin, issued an additional R$2bn of debt in the local market and repurchased US$238mm of its 24s notes

Subsequent Events – Puma II

- Company announced the approval for the Puma II Project
    - Construction of two pulp integrated packaging paper machines parallel to the Puma unit (pulp mill)
    - For a 920 ktons/year of additional Kraftliner paper capacity
    - The project will be divided into two stages, each stage relative to one machine construction
    - First stage will add 450 kton/year capacity expected to be finalized by 2Q21
    - Second stage will commence after first machine start-up, adding 470 kton/year capacity, expected to be finalized by 2Q23
- Project has an estimated gross capex of R$9.1bn, to be disbursed between 2019-2023
    - R$0.9bn of the investment announced accounts for recoverable taxes
    - 2/3 of investments will be made at more intensive stage, 2019-2021
    - Company states it intends to use (50%-60%) of cash generation and cash position to fund investment, while still considering new debt upon attractive conditions

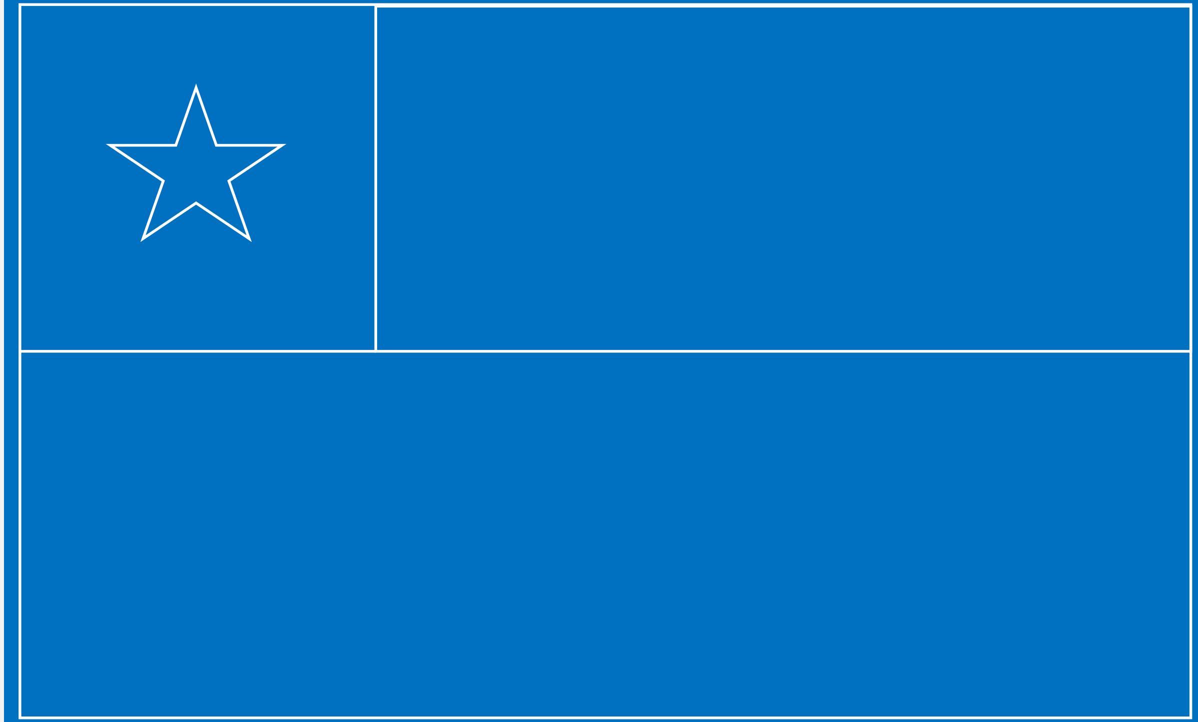
MARKET UNDERPERFORM (ARGENTINA):

KLAB 5.25% 24s

KLABIN (US$MM)	1Q19	BBG Consensus	+/-	4Q18	1Q18	q/q	y/y
Revenue	660	678	(3%)	731	674	(10%)	(2%)
EBITDA	267	267	0%	297	234	(10%)	14%
EBITDA margin	40.4%	39.4%	-	40.7%	34.7%		

KLABIN (US$MM)	1Q19	4Q18	1Q18	q/q	y/y
Total Debt	5,183	5,025	5,353	3%	(3%)
Cash and Equivalents	1,913	1,821	1,612	5%	19%
Net Debt	3,270	3,204	3,741	2%	(13%)
Leverage (Total Debt/LQA EBITDA)	4.9	4.2	5.7		
Net leverage (Net Debt/LQA EBITDA)	3.1	2.7	4.0		

KLABIN (US$MM)	1Q19	4Q18	1Q18	q/q	y/y
EBITDA	267	297	234	(10%)	14%
Working capital	(79)	(10)	4	690%	
Capex	(79)	(73)	(71)	7%	11%
Interest paid	(95)	(65)	(122)	46%	(22%)
Taxes paid	0	(1)	0	(49%)	(14%)
FCF	**14**	**149**	**45**	(91%)	(69%)



CHILE

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Description	Amt (US$ MM)	Ratings (M/SP/F)	Mid Price	Mid YTM
AESGEN 5.00% 07/14/2025	$172	Baa3/BBB-/BBB-	104.31	4.18%

AES Gener is 66.7% owned by The AES Corporation. The company generates and sells electricity in Chile, Colombia and Argentina. With a total installed capacity of 5,063MW it is the second largest electricity generation group in Chile in terms of generation capacity with 27% of share, and with a market cap of US$2.3bn.

PROS:

- Geographical diversification with operations in Chile, Colombia and Argentina, although Chile accounts for 70% of EBITDA
- Diverse portfolio of generation assets, including hydro 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 embedded adjustments for changes in fuel prices
- Sound customer base, particularly mining companies in Northern Chile
- Migrating energy mix with commitment to complete Alto Maipo, moving towards renewable resources although still highly dependent on coal generation – 4,500 MW renewable energy pipeline
- Recourse debt leverage (LTM) significantly lower than consolidated, at 1.8x
- Ongoing asset sales to pre pay debt
- Positive results in Colombia on higher prices given major hydro project, "Ituango" delay, limiting supply

CONS:

- Consolidated leverage needs to trend below 4.5x to avoid negative credit action from Moody's.
- Most of the company's generation in Chile is from coal plants – 76% of its generation in Chile
- Increase in energy generation from renewable sources in Chile (mostly solar) has pushed down electricity prices for regulated contracts (69% of revenue, and unregulated customers (24% of revenue)
- Last public bid awarded regulated contract at historical low prices (US$25.4/MWh), nearly half the price of previous auctions
- AES Gener contract prices in Chile, at around US$119/MWh, are still significantly higher than spot prices in the region, at US$64/MWh (Central Chile)
- Prices are likely to converge once contracts expire and are renegotiated, which is still two or three years into the future
- Heavy capex expected as company plans to develop solar projects
    - Likely to be financed non recourse but may pressure consolidated leverage
- Chile reinforced intention to completely phase out coal plans by 2040 and further retire 1GW of coal fired power by 2024
    - Following the announcement, Units 1 and 2 from Ventanas will be disconnected from the grid during 2024, totaling 322MW of installed capacity (10% generation in Chile and 6% of total capacity)

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

AES GENER 1Q19	EBITDA
Chile	71%
Colombia	21%
Argentina	8%

71% of EBITDA from Chile

Revenue breakdown in Chile:

The interconnection between electrical systems SING (Northern Chile) and SIC (Center-Southern Chile) created a new market in the region, the SEN (Sistema

- Elétrico Nacional)
- With the integration, now both segments are reported under Chilean operations, with AES Gener having a 27% market share
- Chile 1Q19 revenue: 62% unregulated customers, 21% regulated, 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
- AES Gener contract prices in Chile, at around 119 US$/MWh, are still significantly higher than spot prices in the region, at 64 US$/MWh (Central Chile)
- Prices are likely to converge once contracts expire and are renegotiated, which is still two or three years into the future

Spot prices (US$/MWh)	1Q19	2018	2017	2016	2015	2014
SIC	63.5	68.7	57.0	61.0	88.6	131.0
SING	50.6	54.6	56.1	61.6	57.3	75.6

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

AES Gener Primary 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

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Chile Coal Phase Out:

- In June 2019 the Government announced an intention to retire 1GW of coal-fired plants by 2024
- Country has 26 operational coal plants, representing 38% of country's power demand and 22% of total capacity
- Plan includes consultations every five years, up to 2040, with each expected to set a timeline for a 1GW retreat at a time
- First phase retires oldest and least profitable plants, considered the smoothest phase of the process

- Initial 2024 timeline includes AES Gener's Units 1 and 2 from Ventanas, that will be disconnected from the grid by 2024 - 322MW of installed capacity
    - Unit 1 is expected to be phased out November, 2022 and Unit 2, May, 2024
    - Plants will be placed in "strategic reserve" for five years, collecting 60% of payments after phase out date

MARKET UNDERPERFORM (CHILE):

AESGEN 5.0% 25s

Summary of 1Q19 results - Soft:

- 1Q19 revenue decreased 3% y/y and 4% sequentially, to US$634mm
  - Chilean operations revenue decreased 8% q/q and 7% y/y, given lower spot and regulated volumes
    - AES Gener contract prices in Chile, at around US$119/MWh, are still significantly higher than spot prices in the region, US$64/MWh (Central Chile)
  - Colombian operations continue to post solid top line results driven by better pricing environment, revenue up 21% q/q and 26% y/y
    - Strong prices in Colombia is mostly driven by delay in major hydro project, Ituango, limiting supply
- EBITDA remained flat y/y, down 11% q/q, to US$208mm
  - Chile EBITDA decreased 9% q/q and 2% y/y, to US$148mm
    - 1Q19 EBITDA: 71% Chile, 21% Colombia and 8% Argie
- Company managed to generate US$67mm in cash (pre WK)
- Total debt increased to US$3.8bn, up 5% q/q
- In the period, company issued US$550mm in subordinated 2079 notes with coupon of 7.125%, proceeds were mainly used to tender outstanding subordinate 73s note (tendered US$341mm)
  - 2079s are callable at par in 2024, when coupon resets
  - Recourse debt accounts for US$1.3bn (35%)
- Cash increased 64% q/q to US$527mm given new bond issuance
- Net leverage (LTM) deteriorated to 3.9x from 3.5x last quarter
  - LTM gross leverage deteriorated to 4.2x, while net leverage (LTM) of recourse debt stands at 1.8x
- Rating agencies expects company to maintain gross leverage below 4.0x-4.5x

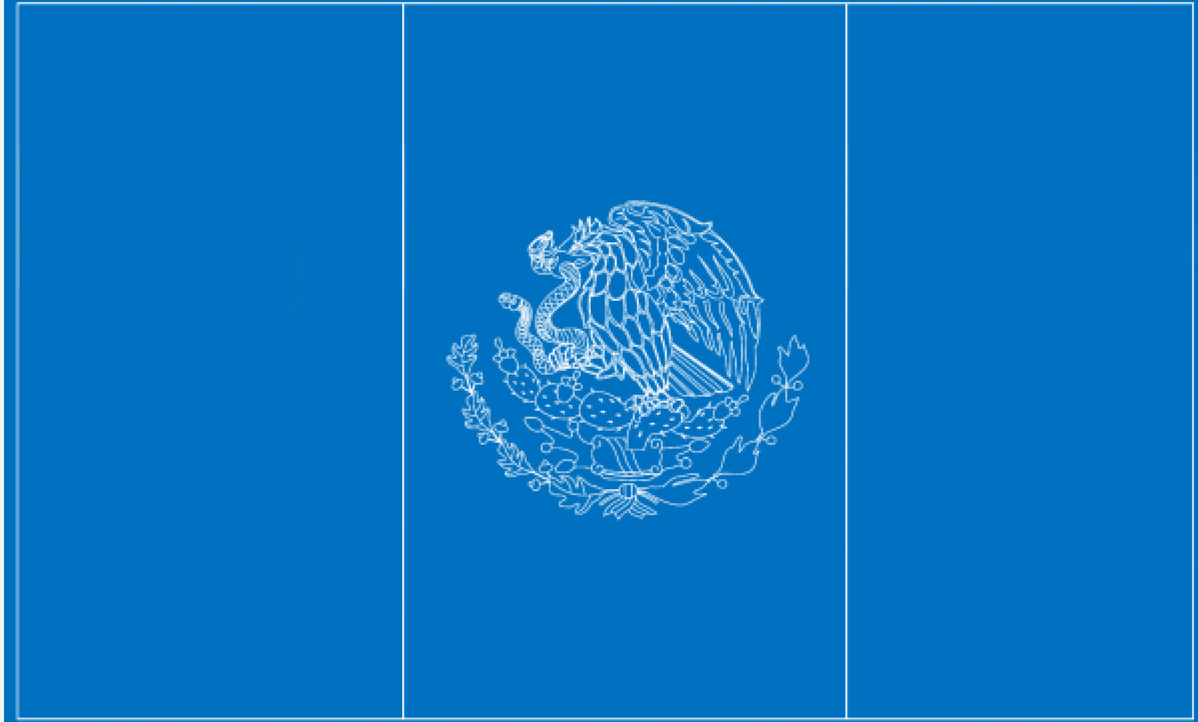
AES GENER (US$ MM)	1Q19	4Q18	1Q18	q/q	y/y
Revenue	634	660	656	(4%)	(3%)
EBITDA	208	233	208	(11%)	(0%)
EBITDA Margin	32.8%	35.3%	31.7%		

AES GENER (US$ MM)	1Q19	4Q18	1Q18	q/q	y/y
Total Debt	3,770	3,584	3,749	5%	1%
Cash	527	322	235	64%	124%
Net Debt	3,243	3,262	3,514	(1%)	(8%)
Leverage (Total Debt / EBITDA (*))	4.5	3.8	4.5		
Net Leverage (Net Debt / EBITDA (*))	3.9	3.5	4.2		

(*) EBITDA - LQA

AES GENER (US$ MM)	1Q19	4Q18	1Q18	q/q	y/y
EBITDA	208	233	208	(11%)	(0%)
- capex	103	113	125	(8%)	(18%)
-interest	20	62	15	(67%)	33%
-taxes	17	(8)	38	(307%)	(54%)
FCF (pre WK)	**67**	**67**	**30**		

MEXICO



MARKET UNDERPERFORM (MEXICO):

TELVIS 4.63% 26s

Description	Amt (US$ MM)	Ratings M/SP/F	Mid Price	Mid YTM
TELVIS 4.63% 1/30/2026	$300	Baa1/BBB+/BBB+	104.29	3.88%

Grupo TELEVISA is one of the world's most recognized Spanish-language programming producers. Yet, content sales only account for 36% of the total revenue. Since 2015, advertising sales have been essentially flat with presales levels declining by about a third since. We note the two pay-tv businesses, now accounting for 60% of total revenue, on different trends. Sky continues with declining customers, whilst the Cable business with strong performance in both revenue and RGU's. Recent high capex has been focused on the latter to develop its network, as well as the MXN$4.7 bn acquisition of Axtel's 4.4k km fiber optic. If AMX's recent bid to offer pay-tv services is approved by the IFT, AMX can offer them quickly given its infrastructure, client base and liquidity. We think this would be a major potential headwind for Televisa given the company's 3.5x gross leverage and recurrent negative FCF burn despite enjoying a dominant position in pay-tv. Though IG status may remain, the current YTM under 4% is mispriced in our view.

PROS:

- Arguably the most influential Spanish-language programming producer in the world with strong brand recognition
- Market share leader in broadcaster advertising with recently improved ratings
- Received US$384 mm in royalties during 2018 from its 36% stake in Univision
- Recurrent revenue streams from its Cable and Sky businesses, together accounting for approximately 60% of Televisa's total sales
- Strong Cable operations with double digit y/y growth in both revenues and RGU's
- Room for growth in Mexico's pay-tv market penetration
- Network comprising of 85k km of coaxial cable and 35k km of fiber optic
- USD coupon and interest payments are hedged

CONS:

- Exposed to natural business seasonality in advertising
- Stagnant advertising operations since 2015 (excl. WC) with a general market share and ratings decline from increased competition
    - 2018 sales were only 6% higher than 2015
    - 4Q18 presales were MXN$14bn, 31% lower than 4Q15
    - Televisa changed its pricing mechanism in 2018
- Decreasing Sky customer subscriber base
- Televisa has been FCF negative in each of the past four years, burning nearly MXN$35 bn during this timeframe
- Increased overall capex levels in 2018, mostly from the Cable business
- 65% of the total debt is USD denominated
- LTM gross leverage ratio is 3.5x

MARKET UNDERPERFORM (MEXICO):

TELVIS 4.63% 26s

Trend Highlights

- Stagnant content sales as they are only 4% higher than 2015
- Relatively flat SKY sales, as customers have decreased
- Consolidated revenue growth has been fueled by the cable business, the segment with strong client and RGU growth
- Stable EBITDA margins
- LTM MXN$15 bn FCF burn
    - FCF burn in each of the past four years
    - Burning nearly MXN$35 bn from 2015 to 2018
- FCF is expected to be partially offset through recent non-core asset sales
- Net debt has increased significantly since 2015, with the LTM net leverage reaching 2.9x
- Customer advances remain below 2015 levels
    - Noting the MXN$14bn presales in 4Q18 were 31% lower than 4Q15

TELEVISA (MXN MM)	LTM	2018	2017	2016	2015
Content	35,776	36,490	33,997	36,687	34,333
World cup	2,734	2,734	-	-	-
SKY	21,810	22,002	22,197	21,941	19,254
Cable	37,461	36,233	33,048	31,892	28,488
Other businesses	9,117	8,636	7,688	8,829	8,124
Total Revenue	**101,866**	**101,282**	**93,586**	**96,287**	**88,052**
EBITDA	**37,921**	**37,761**	**33,696**	**34,279**	**33,168**
Interest paid	(9,448)	(10,129)	(8,861)	(7,633)	(5,939)
Capex	(27,680)	(26,274)	(18,537)	(30,414)	(27,078)
Working capital	(7,084)	(2,157)	(6,336)	(401)	(648)
Taxes paid	(8,470)	(6,723)	(6,420)	(7,269)	(7,824)
FCF	**(14,761)**	**(7,522)**	**(6,458)**	**(11,438)**	**(8,320)**
Total Debt	134,095	130,987	133,404	140,070	117,400
Cash & Equivalents	23,563	32,068	38,735	47,546	49,397
Net Debt	110,532	98,918	94,669	92,524	68,003
Gross Leverage	3.5x	3.5x	4.0x	4.1x	3.5x
Net Leverage	2.9x	2.6x	2.8x	2.7x	2.1x
Customer Advances	17,921	13,638	18,798	21,709	20,470

MARKET UNDERPERFORM (MEXICO):

TELVIS 4.63% 26s

Recent 1Q19 Earnings – Mixed

- 1Q19 Revenue increased by 3% y/y to MXN$23,395 mm (US$1,219 mm), missing the BBG consensus estimate by 1%
  - Content sales decreased by 9% y/y to MXN$7,185 mm, as ad. sales decreased by 14% y/y due to a significant drop in Govt. revenue
  - Govt. revenue accounted for 11% of the total advertising sales in 2018
  - Cable sales increased by 4% q/q to MXN$9,898 mm, primarily from a 2% sequential RGU growth
  - SKY sales decreased by 3% q/q to MXN$5,282 mm, as the decreasing customer trend continued
- EBITDA increased by 2% y/y to MXN$8,765 mm (US$456 mm), beating the BBG consensus by 3%
  - Sequential decline was driven by lower revenues as SG&A expenses remained unchanged
  - On a Y/Y basis, EBITDA growth was in line with higher sales as OpEx increased proportionally
  - EBITDA margin was 37%, vs 38% during 1Q18
- FCF burn was MXN$6,571 mm (US$342 mm), driven by higher capex and working capital
  - Nearly all of 1Q19 capex was invested in the Cable and Sky businesses, in line with the recurrent recent trend
  - WK expansion was driven by a large increase in A/R, although we note customer deposits increased by 31% q/q
- Total debt was MXN$134,095 mm (US$6,959 mm), while cash decreased to MXN$23,563 mm (US$1,223 mm)
  - Q/Q debt growth was from the inclusion of about MXN$4.6 bn in lease liabilities
- Annualized gross and net leverage are 3.8x and 3.2x, respectively

TELEVISA (MXN MM)	1Q19	BBG consensus	% dif	4Q18	1Q18	q/q	y/y
Total Revenue	23,395	23,713	(1%)	26,735	22,812	(12%)	3%
EBITDA	8,765	8,523	3%	9,048	8,605	(3%)	2%
EBITDA margin	37%	36%	-	34%	38%	-	-

TELEVISA (MXN MM)	1Q19	4Q18	1Q18	q/q	y/y
Total Debt	134,095	130,987	133,404	2%	1%
Cash & Equivalents	23,563	32,068	38,735	(27%)	(39%)
Net Debt	110,532	98,918	94,669	12%	17%
Total Debt / LQA EBITDA	3.8x	3.6x	3.9x	0.2x	-0.1x
Net Debt / LQA EBITDA	3.2x	2.7x	2.8x	0.4x	0.4x

TELEVISA (MXN MM)	1Q18	4Q18	1Q18	q/q	y/y
EBITDA	8,765	9,048	8,605	(3%)	2%
Interest paid	(1,679)	(3,115)	(2,360)	46%	29%
Capex	(4,758)	(11,993)	(3,352)	60%	(42%)
Working capital	(4,436)	407	491	-	-
Taxes paid	(4,463)	(1,326)	(2,716)	(237%)	(64%)
FCF	**(6,571)**	**(6,979)**	**668**	6%	-

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DISCLOSURE APPENDIX

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