

15 FEBRUARY 2023

ENGIE ENERGIA PERU 4Q22 RESULTS: PERFORMANCE SOURS ON HIGH THERMAL GENERATION

KEY DRIVERS

- 🔗 EBITDA fell -14.1% YoY to USD 45.6mn on account of higher fuel costs after a jump in thermal generation that was partially offset by higher spot sales at higher marginal costs.
- 🔗 Net income came to USD 12.2mn (+355% YoY), owing to lower financial expenses, the impact of FX differences and lower tax payments.
- 🔗 Net debt/EBITDA worsened from 2.3x to 2.7x in 4Q22 on lower EBITDA as debt remained stable.



Alexander Varschavsky

Co-Head of Research
Utilities Analyst
avarschavsky@larrainvial.com
+562 2339 8610



Felipe Flores

Utilities Analyst
fflores@larrainvial.com
+562 2519 8041

OVERVIEW

Peru / Equity - Corporate Credit / Utilities

LarrainVial
R E S E A R C H
Your eyes in the Andean Region

15 FEBRUARY 2023

ENGIE ENERGIA PERU 4Q22 RESULTS: PERFORMANCE SOURS ON HIGH THERMAL GENERATION

KEY DRIVERS

- EBITDA fell -14.1% YoY to USD 45.6mn on account of higher fuel costs after a jump in thermal generation that was partially offset by higher spot sales at higher marginal costs.
- Net income came to USD 12.2mn (+355% YoY), owing to lower financial expenses, the impact of FX differences and lower tax payments.
- Net debt/EBITDA worsened from 2.3x to 2.7x in 4Q22 on lower EBITDA as debt remained stable.

Consolidated EBITDA came to USD 45.6mn (-14.1% YoY), mainly on account of higher fuel costs (+133% YoY) related to the jump in thermal generation late in the quarter. This was offset by higher net sales (+446 GWh, +23.4% YoY) in the spot market after the increase in total generation at higher spot prices owing to greater use of more expensive thermal sources. Net income came to USD 12.2mn (+355% YoY) on account of lower financial expenses, the impact of FX differences, a 51% YoY drop in taxes due to provisions registered in 2021, and a lower pretax figure.

Net generation grew to 2,403 GWh (+19.6% YoY) driven by the sharp rise in thermal generation (+33.4% YoY), while generation from other sources remained flat. Unregulated physical sales grew +9.5% YoY, while regulated sales were down -33.1% YoY after a number of regulated PPAs came to an end. The company was a net spot seller this quarter as in the last, in contrast to last year at this stage, when it held a buying position.

Revenues rose +21.6% YoY to USD 175.5mn on account of higher spot sales after greater generation during the quarter and higher spot sale prices as more expensive sources were dispatched. Costs increased +41% YoY to USD 147.2mn as fuel costs rose considerably (+133% YoY) owed to the greater use of thermal generation at higher prices relative to 2021.

Net income came to USD 12.2mn, up 355% YoY, mainly on account of lower financial expenses (-26% YoY), the impact of FX differences (from USD -0.5mn to +USD 2.7mn) and a 51% YoY drop in taxes (from USD 23.2mn in 4Q21 to USD 11.3mn in 4Q22). Net Debt/EBITDA went from 2.3x in 3Q22 to 2.7x in 4Q22 on lower EBITDA and a stable debt position.

Engie Energia Peru: Quarterly Income Statement (USD mn)

	4Q22a	4Q21a	%Var 22/21
Revenues	175.5	144.3	21.6%
Op. Income	24.0	32.1	-25.3%
Op. Margin (%)	13.7%	22.3%	
EBITDA	45.6	53.1	-14.1%
EBITDA Margin (%)	26.0%	36.8%	
Net Income	12.2	2.7	355.3%
Net Margin (%)	6.9%	1.9%	

Source: LarrainVial Research Department

Disclosures and certifications can be found in "Important Disclosures" on the last page of this report.

STOCK INFORMATION

Current Price:	5.29
Target Price:	7.50
Recommendation:	NEUTRAL
BBG ticker:	ENGIEC1 PE
52w high-low:	6.75 – 4.85
Free Float:	38%
#Shares:	601 mn

CONTACT US

Alexander Varschavsky
Senior Analyst
avarschavsky@larrainvial.com
+562 2339 8610

Felipe Flores
Utilities Analyst
fflores@larrainvial.com
+562 2519 8041

Our research
at your fingertips



CLICK TO DOWNLOAD OUR APP OR
SCAN THE QR CODE AT THE END

RESEARCH DEPARTMENT

Director of Research

Leonardo Suarez
Managing Director
(562) 2339 8668
lsuarez@larrainvial.com

Co-Head of Research Financials

Florencia Stefani
Executive Director
Senior Analyst
(562) 2339 8597
fstefani@larrainvial.com

Co-Head of Research Utilities

Alexander Varschavsky
Executive Director
Senior Analyst
(562) 2339 8610
avarschavsky@larrainvial.com

Head of Equity Strategy

Luis Ramos
Executive Director
(511) 611 4326
lramos@larrainvial.com

Chief Economist

Javier Salinas
Senior Vice President
(562) 2339 8531
jsalinas@larrainvial.com

Corporate Credit Strategy

Cristian Campos
Senior Vice President
Senior Analyst
(562) 2339 8425
crcampos@larrainvial.com

Consumer

Joel Lederman
Vice President
Senior Analyst
(562) 2339 8047
jlederman@larrainvial.com

Senior Economist

Francisco de la Cerda
Senior Associate
(562) 2339 8289
fdelacerda@larrainvial.com

Basic Materials

Juraj Domic
Senior Associate
Senior Analyst
(562) 2519 8029
jdomic@larrainvial.com

Financials

Magdalena Rosende
Senior Associate
Senior Analyst
(562) 2616 5264
mrosende@larrainvial.com

Corporate Credit

Lucas Howard
Senior Associate
Senior Analyst
(562) 2339 8698
lhoward@larrainvial.com

Utilities

Felipe Flores
Associate
Analyst
(562) 2519 8041
fflores@larrainvial.com

Equity Strategy

Cesar Huiman
Associate
Analyst
(511) 611 4335
chuiman@larrainvial.com

Financials

Carolina Guerrero
Associate
Analyst
(562) 2339 8516
cguerrerom@larrainvial.com

PUBLISHING & CORPORATE ACCESS

Head of Institutional Client Relationships

Consuelo Solis
(562) 2339 8639
consuelo.solis@larrainvial.com

Editing

David Arenas
(562) 2616 5649
darenas@larrainvial.com

Design

Bernardita Ebensperger
(562) 2616 5659
bebensperger@larrainvial.com

Research Support

Paulina Ordenes
(562) 2339 8591
pordenes@larrainvial.com

Av. El Bosque Norte 0177,
4th Floor,
Santiago - Chile.
(562) 2339 8591

www.larrainvialresearch.com
Contact us: research@larrainvial.com

Our research at your fingertips
Scan to download our LVRS App



IMPORTANT DISCLOSURES

This report has been prepared by LarraínVial S.A. Corredora de Bolsa ("LV Corredora"), a subsidiary of LarraínVial S.A. LarraínVial Securities US LLC ("LV US"), a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation, is distributing this report in the United States. LV US is not involved in any way or form in the preparation of research reports. LV US assumes responsibility for this research for purposes of U.S. law. Any U.S. person receiving this report and wishing to effect any transaction in a security discussed in this report should do so with LV US at 56-2-23398562, El Bosque Norte 0177, 3rd Floor, Las Condes, Santiago, Chile.

LarraínVial refers to Larraín Vial Securities US, LLC as well as LarraínVial S.A. and LarraínVial S.A. Corredora de Bolsa.

This report is for distribution only under such circumstances as may be permitted by applicable law. This report is not directed at you if LV US is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that LV US is permitted to provide research material concerning investments to you under relevant legislation and regulations. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation, offer, invitation, or inducement to buy or sell any securities or related financial instruments in any jurisdiction. Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) LV US's proprietary data or data available to LarraínVial. All other information herein is believed to be reliable as of the date on which this report was issued and has been obtained from public sources believed to be reliable. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning LV US, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

As of the end of the month immediately preceding the date of publication of this report, neither LarraínVial nor any of its affiliates beneficially own 1% or more of any class of common equity securities of the companies analyzed in this report. In addition, neither LarraínVial nor its affiliates: (a) have managed or co-managed a public offering of securities for the companies; or (b) have received compensation for investment banking services from the companies in the past 12 months.

On the other hand Larraín Vial or its affiliates expect to receive or intends to seek compensation for investment banking services from the companies within the next 3 months. LV US did not engage in market-making activities in the subject company's securities at the time this research report was published.

The decision to cover an asset with analysis is the exclusive responsibility of the LarraínVial Research Department. A report's content and its recommendation regarding the price of an asset under analysis is strictly confidential until the date of its publication, and only at that time do clients learn our opinion. Executives, the Investment Banking Division, the Sales and Trading Desk and personnel of LarraínVial do not know the content, fundamentals, projections, or recommendations contained in reports before their publication and dissemination to clients. Investment Banking Division, the Sales and Trading Desk and personnel of LarraínVial cannot be aware of the publication status of any report before it is publicly disseminated to the firm's clients. LarraínVial does not undertake that investors will obtain profits, nor will it share with investors any investment profits, nor accept any liability for any investment losses. Investments involve risks, and investors should exercise prudence in making their investment decisions. LarraínVial accepts no fiduciary duties to recipients of this report and in communicating this report is not acting in a fiduciary capacity. The report should not be regarded by recipients as a substitute for the exercise of their own judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which it was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of LarraínVial as a result of using different assumptions and criteria. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice.

Some of LarraínVial's directors are or could eventually become directors of companies whose stocks are monitored by the LarraínVial Research Department. The names of LarraínVial's directors can be found in the company's report on its website: www.larrainvial.com. Regardless, the recommendations issued by the LarraínVial Research Department regarding the stocks its analysts monitor respond exclusively to the examination of their merits, and the market environment of the companies traded on the exchange. As such, the opinions of the Research Department are issued independently of the interests and the condition of directorship in said companies of LarraínVial's own directors.

Larraín Vial Research Department issues its views pursuant to relevant factors necessary to recommend an investment decision and independently of any instructions that the Corporate Finance Division and/or the Sales Desk might have from any covered company with which it has a business relationship. The recommendations given by the Research Department with respect to the shares covered by its analysts respond exclusively to the analysis of the merits and the market conditions in which the publicly traded companies operate.

However, this does not guarantee their fulfillment. All of the recommendations or views contained herein can be modified without previous notice.

Research will initiate, update and cease coverage solely at the discretion of LarraínVial. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. LarraínVial is under no obligation to update or keep current the information contained herein, except when terminating coverage of the companies discussed in the report. LarraínVial relies on information barriers to control the flow of information contained in one or more areas within LarraínVial, into other areas, units, groups or affiliates of LarraínVial. The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking or sales and trading). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of LarraínVial as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the value or price of or the income derived from any security or related instrument mentioned in this report, and the reader of this report assumes any currency risk.

This report does not take into account the investment objectives, financial situation or particular needs of any particular investor. Investors should obtain independent financial advice based on their own particular circumstances before making an investment decision on the basis of the information contained herein. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither LarraínVial nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising from the use of all or any part of this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any given prices do not necessarily reflect LarraínVial's internal books and records or theoretical model-based valuations, and may be based on certain assumptions. Different assumptions, by LarraínVial or any other source, may yield substantially different results. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of LarraínVial, and LarraínVial accepts no liability whatsoever for the actions of third parties in this respect.

Additional information relating to the financial instruments discussed in this report is available upon request. REG (AC) Certifications

a) The analyst (or analysts) signing this report certify that the views expressed in the report accurately reflect his or her personal views about the subject securities and issuers.

b) The analyst (or analysts) signing this report certify that no part of his or her compensation or other payments where, are, or will be directly or indirectly related to the specific recommendations or views contained in this research report.