Credicorp Capital

Equity Research Peru
Company Alert 2Q24 Results
July 29th, 2024

Engie Energia Peru

Results in line with expectations; lower revenues offset by reduced costs

We expect a neutral reaction to Engie EEP's results, as they came in line with expectations. The weaker top line was offset by operational improvement in the quarter, driven by reduced fuel costs due to lower thermal generation and a more robust generation mix with increased renewables and hydro generation.

Results: EEP's revenues reached USD 150 mn (-9% y/y), which aligned with our estimate, due to lower volumes sold both to customers due to lower demand and to the COES on lower generation, partially offset by higher prices of energy contracts on positive indexation effects. COGs decreased in line with our estimate (-9%y/y, +2% q/q), thanks to the significant drop in fuel costs (-31%y/y, +16% q/q) due to lower thermal generation (-16% y/y) and lower unitary fuel cost (-18% y/y) as the system remained unstressed with solid hydro generation. This offset the slight increase in energy purchases, considering that EEP was a net buyer due to lower total generation, and higher insurance costs. Also, SG&A expenses increased by 9%, associated with management costs. All in all, EBITDA reached USD 62 mn (-1% y/y), in line with our estimate. Finally, as expected, net income amounted to USD 21 mn (-29% y/y) due to the lower operational line, higher depreciation expenses associated with the wind plant Punta Lomitas, and higher financial expenses, as seen in the past quarters, mainly due to the interest on the loans for the financing Punta Lomitas, which since its COD[2] are no longer capitalized.

Looking forward, the positive operational trend could continue depending on critical factors such as the evolution of hydro generation, especially in the dry season of May-Nov. Regarding the recent wind plant acquisitions, on a consolidated basis, they are adding around USD 2 mn to the consolidated EBITDA (USD 64 mn), with a strong EBITDA/MWh of 43. If we annualize the EBITDA and consider the total purchase amount (including greenfield projects), the EV/EBITDA of the transaction would be around 9.9x, which seems a fair multiple for renewable projects. Finally, while we remain positive on Engie's long-term fundamentals, we acknowledge that the stock's illiquidity presents a headwind.

Engie Peru *(USD mn)*	2Q24A	2Q23A	2Q24E	Y/Y (%)	A/E (%)		2024E	2025E
Revenues	150	164	149	-9.0%	0.2%	P/E	6.9x	6.2x
EBITDA	62	63	62	-1.3%	-0.5%	EV/EBITDA	4.8x	4.6x
Net Income	21	30	21	-28.9%	0.3%	P/BV	0.5x	0.5x
						Div. Yield	4.3%	4.6%
EBITDA Mg.	41.5%	38.3%	41.8%					
Net Mg.	14.2%	18.1%	14.1%					

(1) Individual Results
(2) COD: Commercial Operations Date

Electric Utilities

Rating: BUY

TP: PEN 6.02

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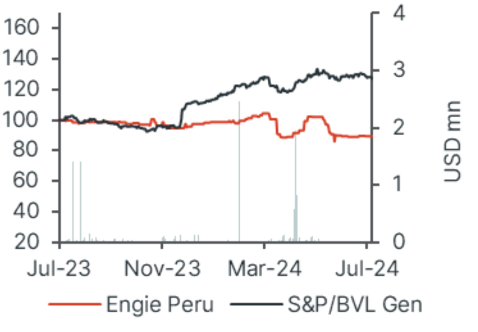
Stock Data

Ticker	engiec1 pe
Price (PEN)	4.27
Target (PEN)	6.02
Dividend Yied 2024E	4.3%
Total Return	46%
LTM Range (PEN)	4.23 - 5.24
Market Cap (USD mn)	694
Shares Outstanding (mn)	601
Free Float	38%
ADTV (USD mn)	0.12

Price Chart (PEN) and Volume (USD mn)



Sources: Bloomberg, Factset

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Hold: Expected returns of +/- 5% in excess/below the expected return of the local index over the next 12-18 months.

Underperform: Expected to underperform the local index by 5 percentage points or more over the next 12-18 months.

Under Review: Company coverage is under review.

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Companies covered with this rating	34%	56%	10%	0%
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*Percentage of investment banking clients in each rating category.

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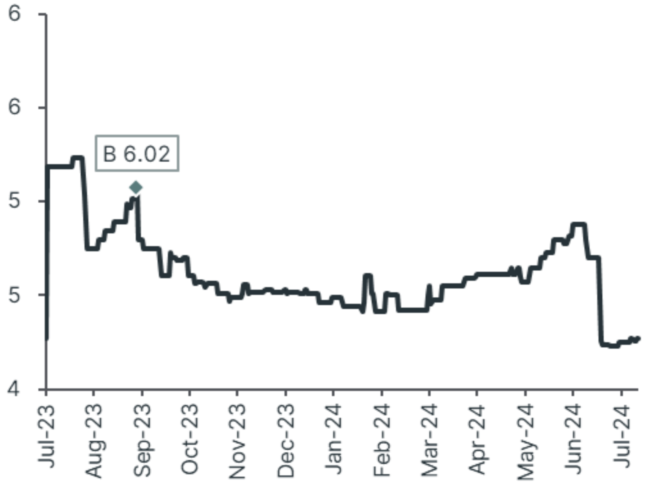
I. Price Chart

Engie Energía Perú (engiec1 pe)



Date	Rating	Price (PEN)	T.P. (PEN)
9/16/2021	HOLD	5.45	6.63
9/15/2022	HOLD	5.40	6.73
9/15/2023	BUY	4.71	6.02

Sources: Bloomberg and Credicorp Capital

Credicorp Capital ratings: B = Buy, H = Hold, U = Underperform, UR = Under Review.

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