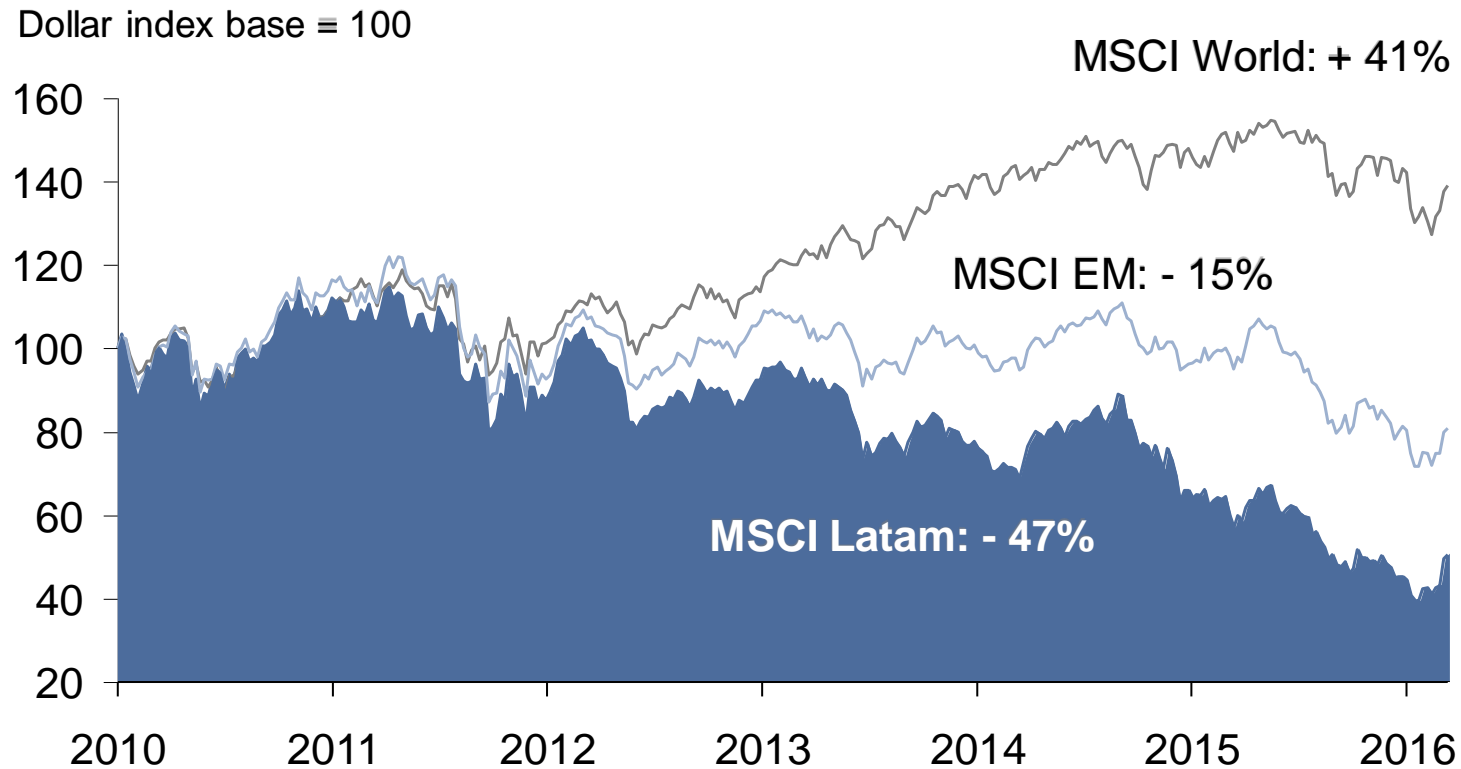


Mispriced Securities in Latin America

**Grant's Spring Conference
April 13, 2016**

John Haskell

Latam washout



Latin America was the worst performing region globally in 2015

Value in the Andean region: mispriced securities amid solid macro fundamentals



Ticker: INRETC1:PE
 Market cap (B): \$1.7 b
 Net debt (B): \$0.8 b
 Enterprise value (B): \$2.5 b
 ADTV (K): \$639 k

Peruvian retailer focused
 on pharmacies,
 supermarkets, malls

0.76x sales for a
 dominant, growing retailer
 that will double profits this
 year



Ticker: GRAM:US
 Market cap (M): \$0.6
 Net debt (B): \$0.6
 Enterprise value (B): \$1.2
 ADTV (K): \$547

Largest Peruvian
 engineering and
 infrastructure firm

Land and infrastructure
 concessions at fair value,
 core engineering franchise
 at just 1.9x Ebitda



Ticker: ENTEL:CL
 Market cap (B): \$2.1
 Net debt (B): \$2.1
 Enterprise value (B): \$4.2
 ADTV (K): \$1,825

New telecom entrant
 providing fastest 4G
 data service in Peru

Negative \$850m
 enterprise value
 ascribed to a \$2.0+
 billion investment

The “terrible child” of markets for over five years

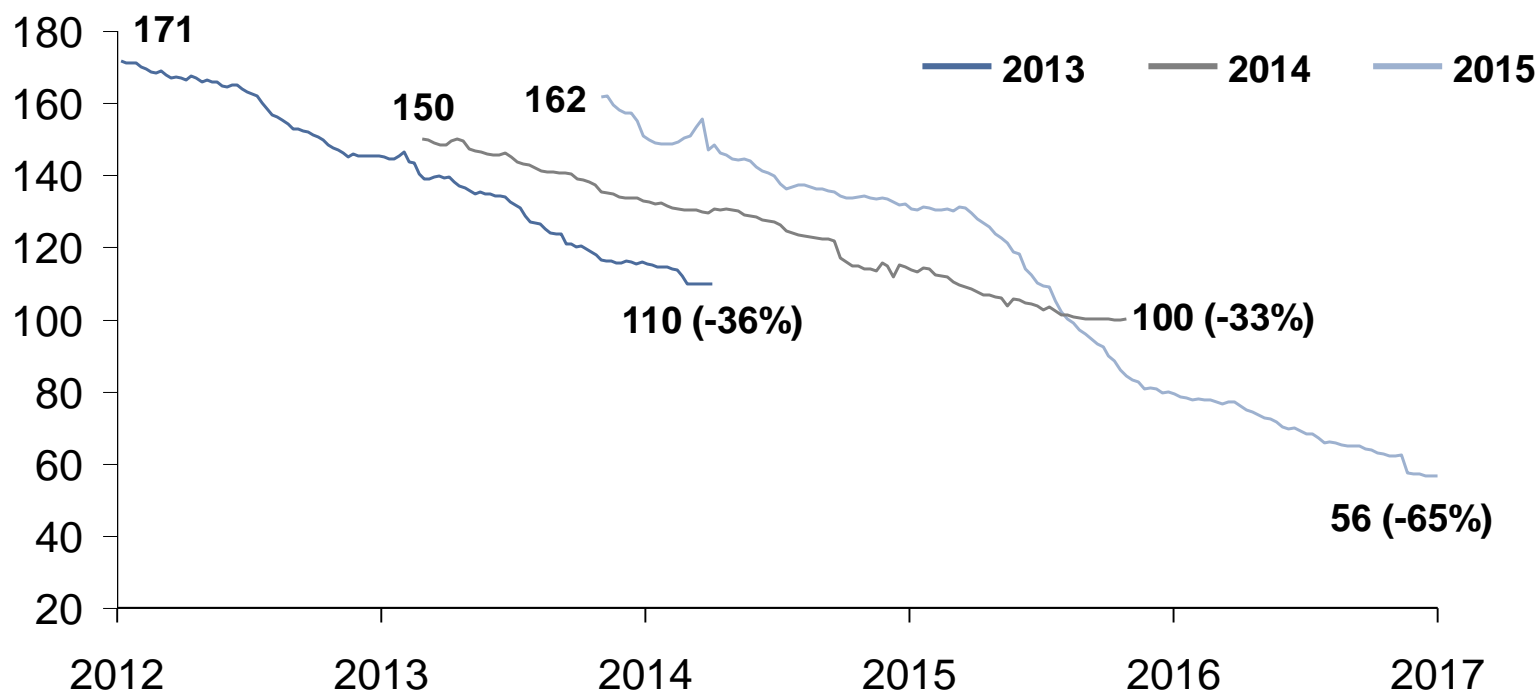


“El Terrible Bambino”
Rush hour in Lima, Peru
March 29, 2016

Persistently disappointing USD corporate earnings

Are beaten-down analysts and investors closed off to anticipating a rebound?

Latam consensus net income estimate, USD billions



Poetic phrasings from sell-side analysts:

“Winds are changing directions”

“Inflection point further delayed”

“Sharply diminished outlook”

“EM story cooling down”

\$39.3 billion dedicated Latam equity outflows in five years

Strong dedicated equity inflows between 2005 and 2010 (except in 2008 crises)

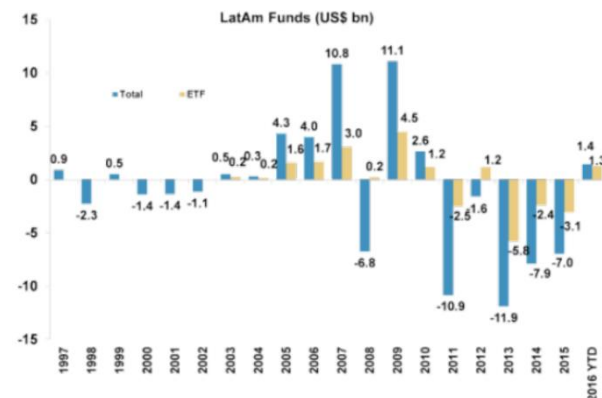
- \$24.2 billion total inflows during six year period
- \$11.1 billion inbound flows in 2009, alone
- Offset only by \$6.8 billion outflow during 2008 crises

Even stronger outflows, 2011 to 2015

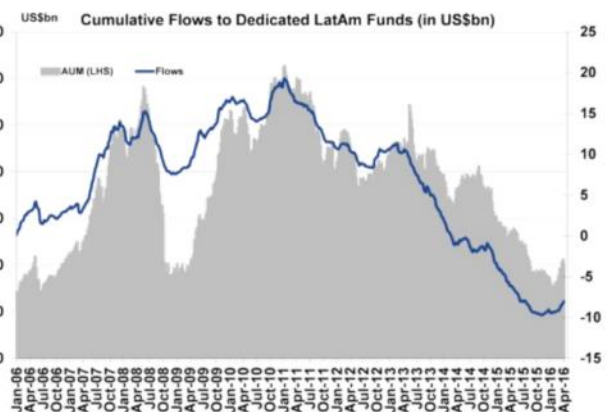
- \$39.3 billion total outflows during five year period
- \$11.9 billion outflows in 2013, alone

Cumulative capital dedicated to the region currently near 2006 levels

Latam equity flows, annual since 1997



Latam equity flows, cumulative since 2006



Political and macro-economic headlines drive markets

Offering opportunity for fundamentals-based investors to find value

Corruption



Commodities



Interest rates



Elections



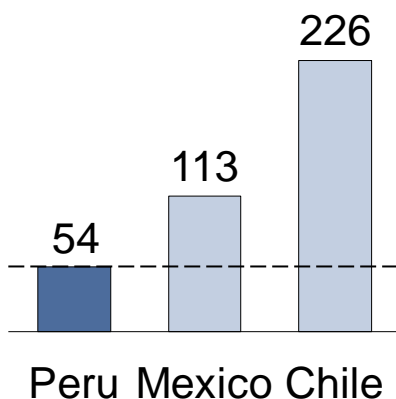
“Emerging Markets are enveloped in gloom...”
(Financial Times, 1/6/2016)

Amid the gloom, 4.0% GDP growth and lots of runway

Free market opportunities abound for companies serving domestic demand

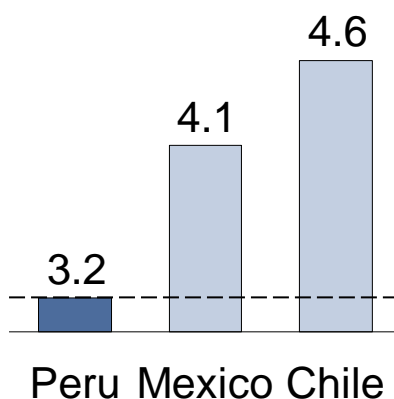


Pharmacies per 10k people, 2015

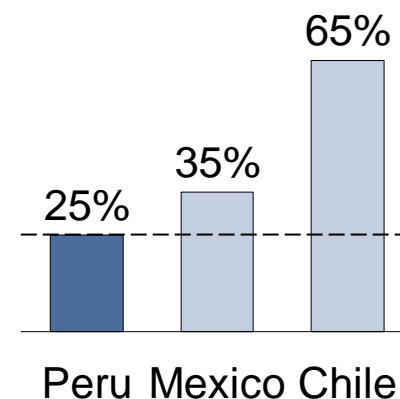


Quality of infrastructure ranking

(1=worst, 7=best)



Percent of adults who own a smartphone



"...but economic growth is returning to its trend level..."
(Financial Times, 1/6/2016)

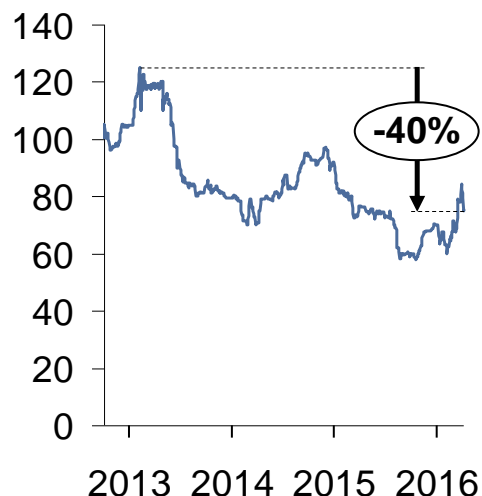
Trigger-happy sellers amid low liquidity and redemptions

For these three equities, markets have overshot the mark



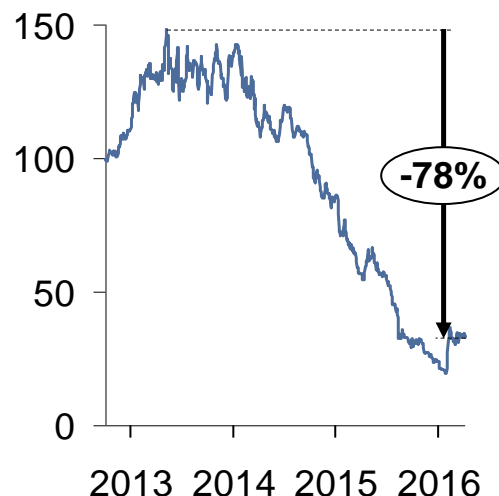
"We think holding debt in USD is an unnecessary financial risk that should be at least partially hedged"

(06/2013)



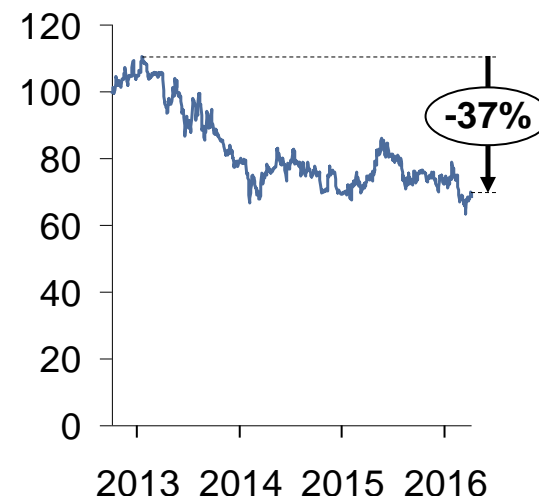
"Project issues again... this does not play in favor of management's already battered credibility"

(10/2015)



"Close to an inflection point, but not quite there yet... neutral maintained"

(11/2015)





Multi-format retailer exclusively focused on Peru

Shopping malls



- \$137m sales, \$85m Ebitda (37.1% of total)
- 18 malls with 582,218 m² GLA
- #1 market share (21.6% by sales)
- 103% GLA growth since 2012
- 97% Occupancy rates

Supermarkets



- \$1,280m sales, \$81m Ebitda (35.3% of total)
- 106 stores with 288,241 m² of sales area
- #2 market share (35.7% by sales)
- 28% sales area growth since 2012
- First mover in 17 out of 23 cities outside Lima

Pharmacies

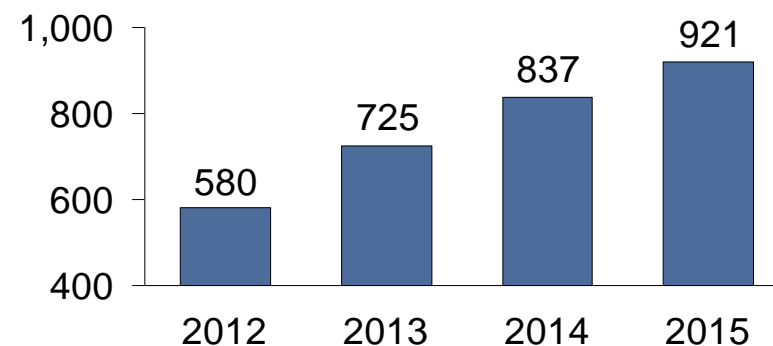


- \$734m sales, \$64m Ebitda (27.6% of total)
- 921 pharmacies
- #1 market share (52.8% by sales)
- 59% store growth since 2012
- 43% of stores in Lima, 57% in provinces

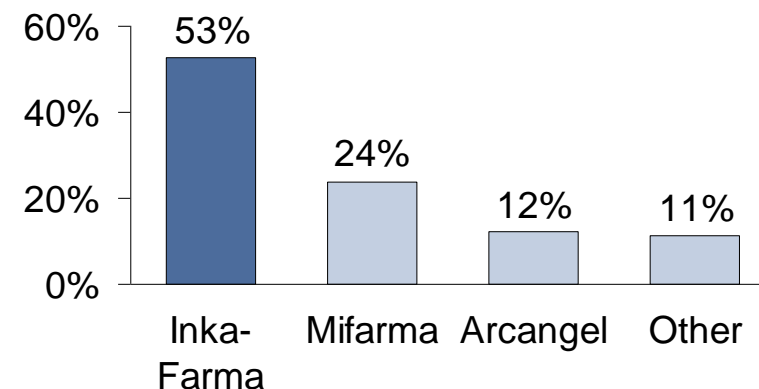
Pharmacy division: growing and dominant



Store count



Market share



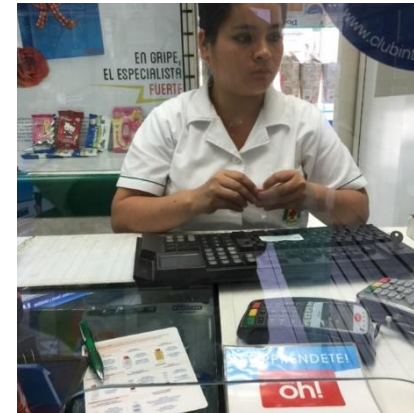
El 30% de las ventas de las farmacias ya no se logra con medicamentos

A trip to the corner cash cow

Attractive store-level economics



Widely-used CRM



High private-label penetration



Superior private-label margins



Dollar-debt exposure reduced to 23% of total

In 2014, InRetail issued dollar-denominated, senior unsecured bullet loans at the subsidiary level

- \$350m at the mall segment, 6.50% coupon due 2021, BB and Ba1
- \$300m at the consumer seg., 5.25% coupon due 2021, BB+ and BB+

The company also issued local-fx debt

- \$42 million equivalent (current fx) at the mall segment, 7.88% due 2034
- \$74 million equivalent (current fx) at the Consumer segment, 6.81% coupon due 2021

72% dollar exposure in 2014 reduced to 23% exposure currently

- 23% USD, 38% PEN, 38% hedged via call-spread instruments (\$300 million nominal value)

*All figures \$M
unless noted*

	2012	2013	2014	2015
Gross debt	653.7	615.7	820.9	782.1
Net debt	212.4	499.9	725.0	686.6
Interest expense	81.8	145.6	111.5	70.8
EBITDA	157.7	175.7	212.7	227.3
EBIT	140.1	151.5	215.6	187.4
Equity	1136.8	1055.5	1026.2	923.0
Net debt / EBITDA	1.3x	2.8x	3.4x	3.0x
EBIT / Int. Exp.	1.7x	1.0x	1.9x	2.6x
Net debt / Equity	19%	47%	71%	74%
FX impact	29.1	-46.3	-40.3	-53.1

Trading at 13.8x 2018 EPS

InRetail (INRETC1)

Peru: General retailer and mall operator

Snapshot		
INRETC1	PEN	USD
Stock price	55.17	16.78
Target	83.82	24.29
Upside	52%	45%
MC (m)	5,674	1,726
Net debt (m)	2,344	687
EV (m)	8,018	2,412
ADTV (m)	2,346	0.713
Headquartered	Lima, Peru	



Summary (USD m)	2012	2013	2014	2015	2016E	2017E	2018E	Target
Revenue	1,875	1,904	2,063	1,991	2,187	2,450	2,744	
Growth		1.5%	8.4%	-3.5%	9.8%	12.0%	12.0%	
EBITDA	184	186	249	220	252	294	335	
Margin	9.8%	9.7%	12.1%	11.0%	11.5%	12.0%	12.2%	
EV/EBITDA				10.7x	9.6x	8.2x	7.2x	
EPS	0.86	0.19	0.37	0.41	0.80	1.07	1.21	
P/E				39.4x	20.9x	15.7x	13.8x	20.0x
Equity (BV)	1,137	1,055	1,026	923	955	1,038	1,147	
Return on avg. equity	9.4%	1.9%	3.7%	4.6%	8.8%	11.0%	11.4%	
P/B				1.8x	1.8x	1.7x	1.5x	
Net debt/EBITDA	1.2x	2.7x	2.9x	3.1x	2.7x	2.3x	2.0x	
Dividend yield				0.0%	0.0%	0.0%	0.0%	
Macro	2012	2013	2014	2015	2016E	2017E	2018E	Current
PEN (year end)	2.55	2.80	2.98	3.41	3.45	3.45	3.45	3.29
FX change (y-o-y)	-5.4%	9.6%	6.5%	14.6%	1.1%	0.0%	0.0%	
Inflation (y-o-y)	2.6%	2.9%	3.2%	4.4%	3.1%	2.5%	2.5%	
GDP (y-o-y)	6.0%	5.9%	2.4%	3.3%	4.0%	4.0%	4.0%	



Grupo

**Graña y
Montero**

The largest engineering firm in Peru

82 year history, 3,600 engineers, blue chip reputation

Engineering & Construction



- \$1,712m sales, \$78m Ebitda (34.4% of total)
- Expansion to Andean region starting in 2010; presence in Chile and Colombia
- Most exposed to mining and energy sectors
- High revenue variability & project risk

Infrastructure concessions



- \$300m sales, \$87m Ebitda (38.3% of total)
- Concessions in roads, water treatment, public transportation, and energy sectors
- High levels of investment & stable cash flows

Real Estate & Other



- \$63m sales, \$29m Ebitda (12.8% of total)
- 833 units delivered in 2015
- 893 hectares of land bank, 96% in Lima, represents hidden value on balance sheet
- Technical services account for remainder of sales (\$337m) and Ebitda (\$33m, 14.5% total)

The largest engineering firm in Peru

Mix shift toward infrastructure

Infrastructure concessions



- \$300m sales, \$87m Ebitda (38.3% of total)
- Concessions in roads, water treatment, public transportation, and energy sectors
- High levels of investment & stable cash flows



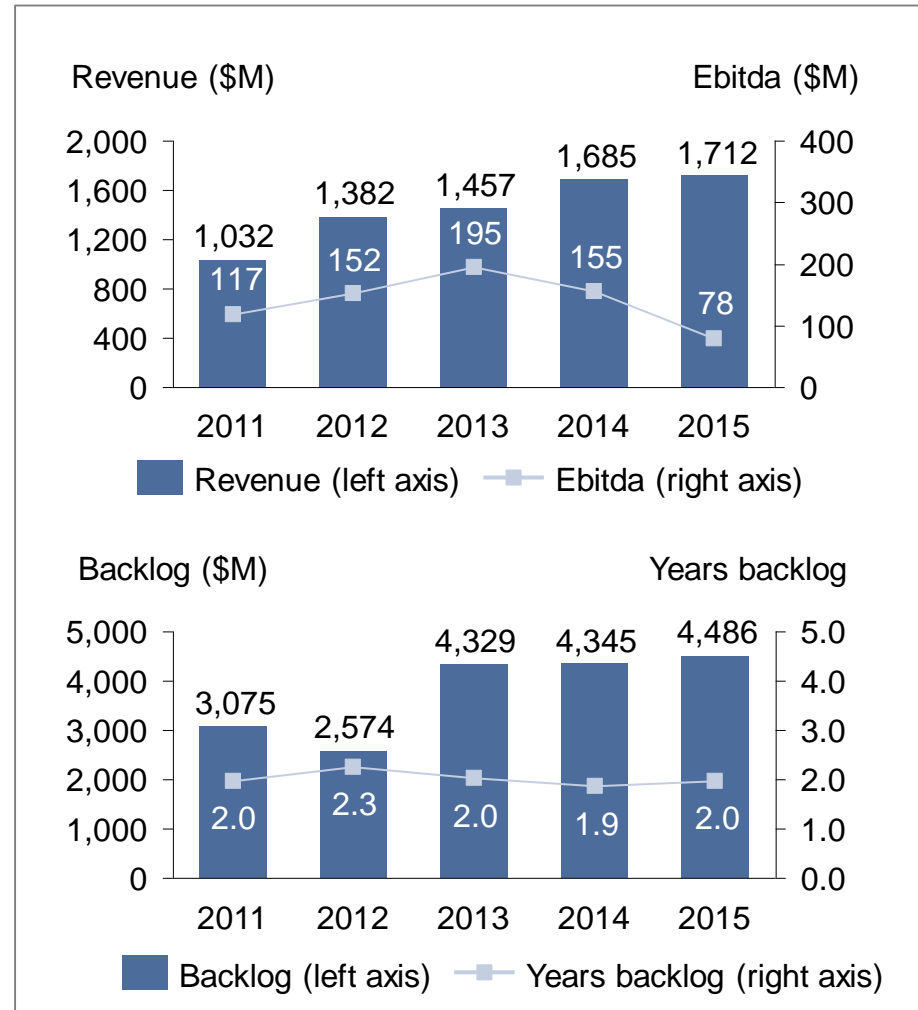
Issue #1: depressed results in core engineering & construction division

Revenue and backlog growth nearly flat

- Reduced activity in mining and energy sectors
- Public tender process at near stand-still prior to elections

Ebitda margins narrowed to 4.5% in 2015 from 11.0 - 13.4% levels during 2011-2013

- Project-specific loses at the Inmaculada Mine, a \$159.1 million project for Hochschild Mining
- Increased competition from aggressive international competitors like Mexico's ICA (in default) and Brazil's Odebrecht (management corrupt)



Issue #2: Capital structure under stress from cash cycle and business mix shift

\$754.6 million in gross debt is more than double \$331.4 million in 2012

- Sources include bank credit lines (\$433.7m), local market bonds (\$232.8m), and leases (\$88.3m)

Credit metrics have deteriorated

- Net debt to Ebitda up to 258%
- Net debt to equity up to 64%
- Coverage ratio down to 4.6x

Working capital has increased with stress in the mining and energy sectors

- Days sales up to 133 from 94
- Receivables equal 89% of equity

Business mix shift to infrastructure concessions requires more capital

- Project finance now represents \$302.9m or 40.1% of gross debt
- Non-recourse to parent
- Steady revenues, equity stakes in concessions

All figures \$M

<i>unless noted</i>	2012	2013	2014	2015
Gross debt	331.4	284.6	586.0	754.6
Net debt	25.6	(58.5)	312.2	592.3
Interest expense	20.1	24.3	17.3	29.2
EBITDA	314.0	368.6	306.2	229.4
EBIT	221.0	272.4	215.6	133.3
Equity	696.5	1,143.4	1,063.9	931.6
Net debt / EBITDA	0.1x	-0.2x	1.0x	2.6x
EBIT / Int. Exp.	11.0x	11.2x	12.5x	4.6x
Net debt / Equity	4%	-5%	29%	64%
Receivables	530.5	638.9	803.1	833.8
Days sales	94	109	125	133

2016 outlook is positive

Market-friendly president to be decided June 5th

Mining activity accelerating 13.9% in 1Q 2016

Inmaculada and other one-offs project issues resolved

Competition retreating, e.g., Odebrecht exiting Southern Gas Pipeline project

Days receivables likely to improve

Investor relations better communicating debt profile to investors

Trading at 3.2x 2018 Ebitda

Grana y Montero (GRAM)

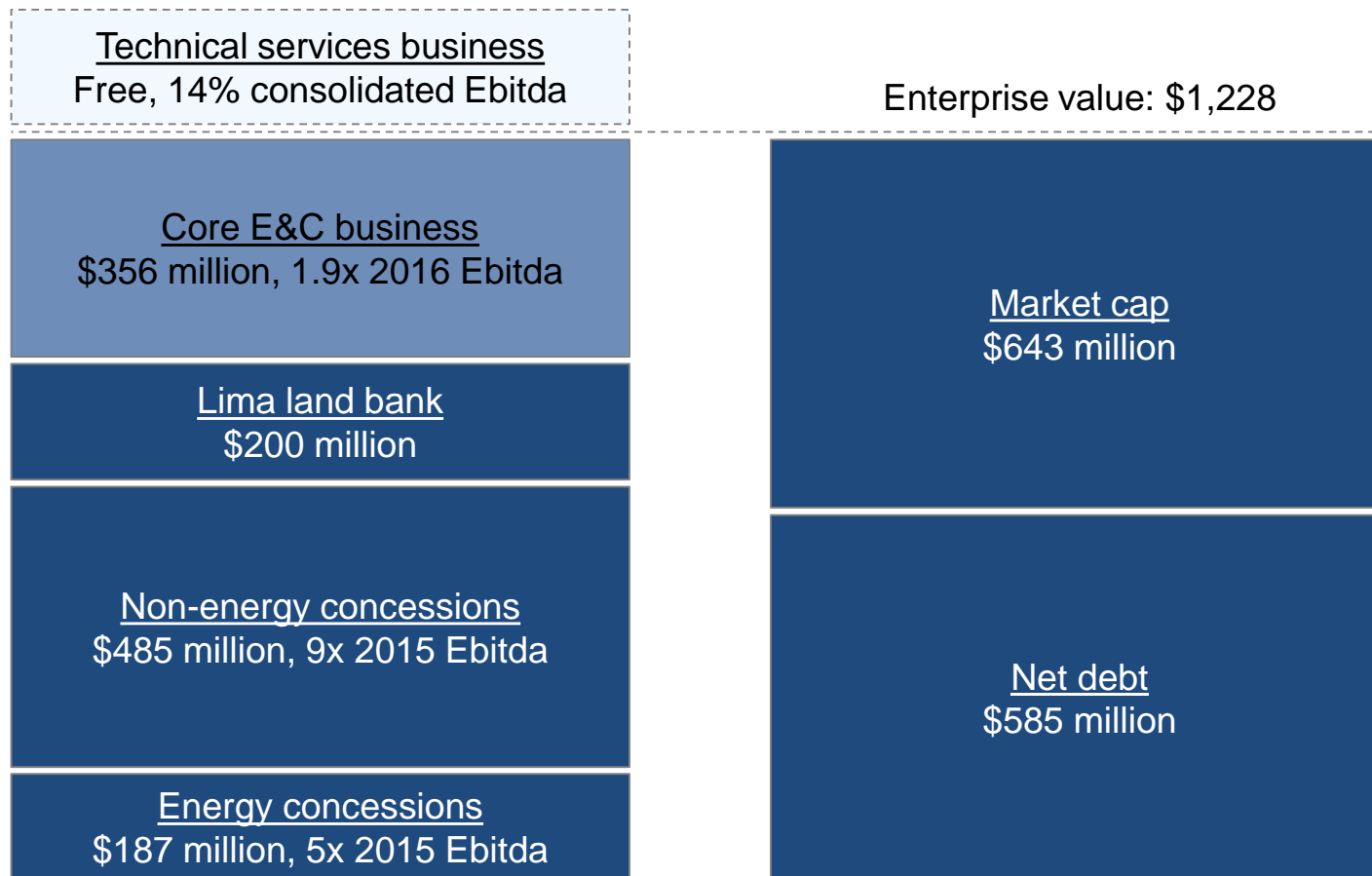
Peru: Engineering services

Snapshot		
GRAM	PEN	USD
Stock price	3.26	4.96
Target	7.20	10.44
Upside	121%	110%
MC (m)	2,114.71	643.20
Net debt (m)	1,995	584
EV (m)	4,110	1,228
ADTV (m)	1.85	0.6
Headquartered	Lima, Peru	



Summary (USD m)	2012	2013	2014	2015	2016E	2017E	2018E	Target
Revenue	2,051	2,134	2,352	2,294	2,452	2,611	2,760	
Growth		4.1%	10.2%	-2.5%	6.9%	6.5%	5.7%	
EBITDA	303	334	270	184	331	357	381	
Margin	14.8%	15.6%	11.5%	8.0%	13.5%	13.7%	13.8%	
EV/EBITDA				6.1x	3.7x	3.4x	3.2x	
EPS	1.02	0.87	0.76	0.20	0.84	0.99	1.11	
P/E				14.6x	5.9x	5.0x	4.5x	
Equity (BV)	699	1,143	1,067	931	947	1,034	1,128	
Return on avg. equity	17.9%	12.9%	9.4%	2.8%	11.6%	12.9%	13.3%	
P/B				0.4x	0.7x	0.6x	0.6x	1.2x
Net debt/EBITDA	0.1x	-0.2x	1.1x	3.2x	0.8x	0.6x	0.4x	
Dividend yield				0.0%	3.9%	5.6%	6.4%	
Macro	2012	2013	2014	2015	2016E	2017E	2018E	Current
PEN (year end)	2.55	2.80	2.98	3.41	3.45	3.45	3.45	3.29
FX change (y-o-y)	-5.4%	9.6%	6.5%	14.6%	1.1%	0.0%	0.0%	
Inflation (y-o-y)	2.6%	2.9%	3.2%	4.4%	3.1%	2.5%	2.5%	
GDP (y-o-y)	6.0%	5.9%	2.4%	3.3%	4.0%	4.0%	4.0%	

Current stock price implies company is worth only its land bank and infrastructure concessions



Source: Company Financial Reports, Explorador Capital Management analysis



Mobile telecom company investing \$2b in Peru



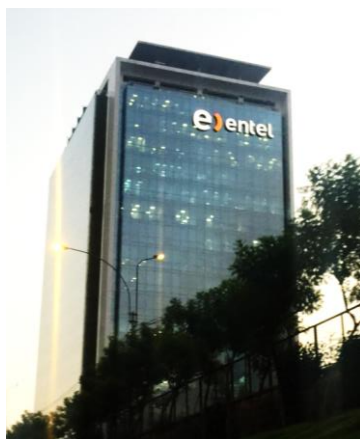
Chilean industry leader, Peruvian challenger

Chile



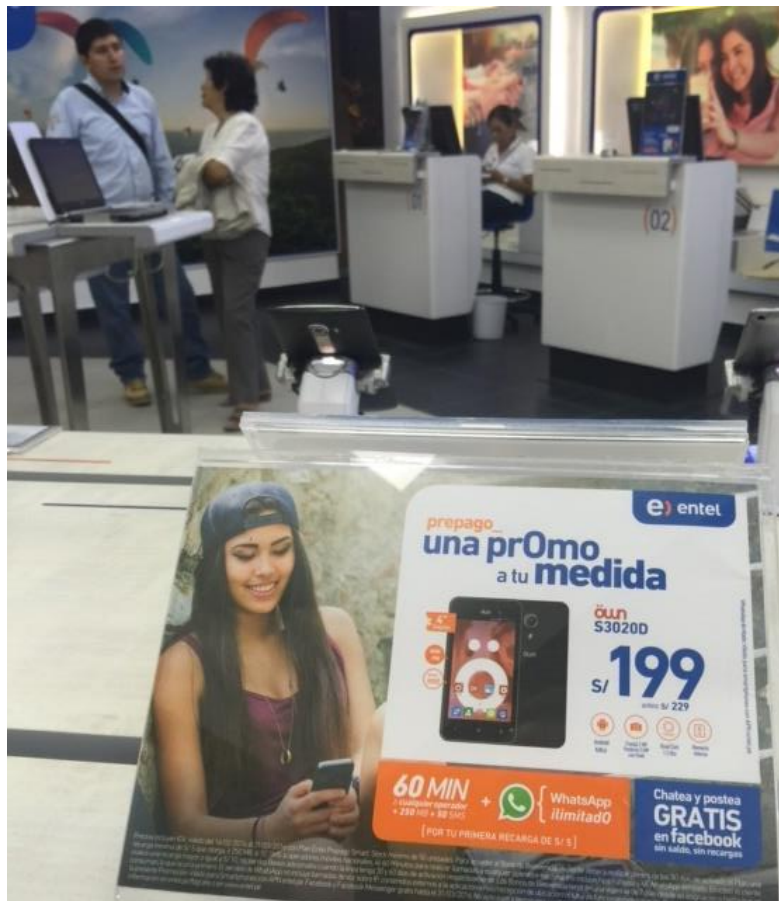
- \$2,197m sales, \$740m Ebitda
- Leading 36.9% mobile market share in a 3-way, mature market: Entel, Movistar (Telefonica) and Claro (America Movil)
- 9.8 million subscribers
- 150 MHz spectrum, 5,817 points of presence
- 3,950 Km of fiber optic network, large fixed line network, largest data center provider

Peru



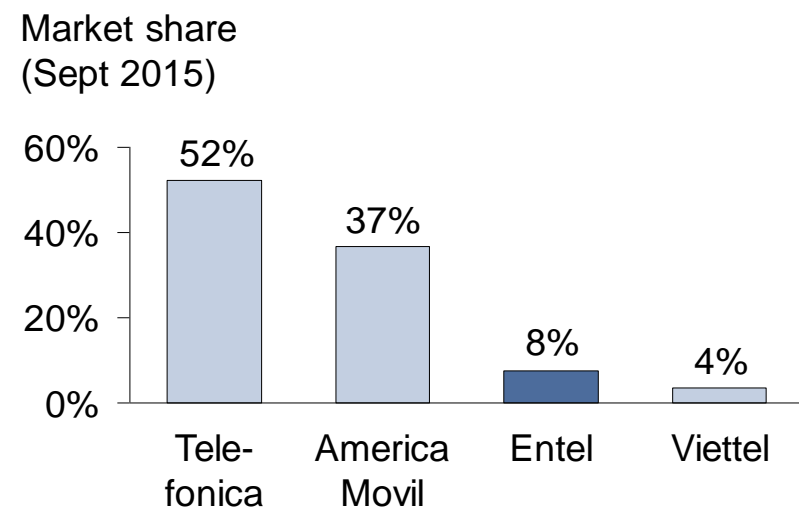
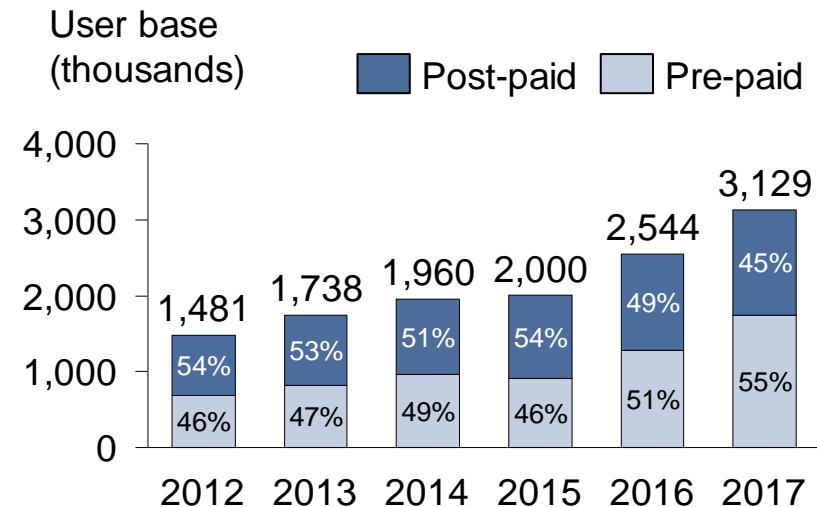
- \$328m sales, - \$238 million Ebitda
- Third-place 7.6% mobile market share in a 2-way market: Telefonica 52.3% and America Movil 36.7%
- 3.1 million subscribers, 80% YoY user base growth
- 156.5 MHz spectrum, 2,586 points of presence
- 3x growth in physical infrastructure in 2 years

Ubiquitous marketing campaign, high service levels, data-rich plans, retail and e-commerce integration



Entel branch in Miraflores, Lima

Source: Company Financial Reports, Explorador Capital Management analysis



Equity raise recapitalizes balance sheet

Entel announced intentions to raise \$520 million in new capital

- At current share price, capital raise implies 59 million new shares, a 24.9% dilution
- Controlling families (Matte, Hurtado, Fernandez) own 54.8% of Entel via Almendral Holding Co and will subscribe their part

Rationale for new capital is a spectrum offering in Peru and ratings concern

- 700 MHz auction minimum \$285m
- Moody's had lowered rating to Baa3

Debt serviceable on already depressed EBIT, no sizable maturities until \$150m due 2019 – too late to buy the bonds?

- \$800m 2026 4.75% coupon at 95.5 yields 5.41%
- \$1b 2024 4.875% coupon at 98.5 yields 5.18%

*All figures \$M
unless noted*

	2012	2013	2014	2015*
Gross debt	818.0	1,566.1	2,393.4	2,360.0
Net debt¹	781.3	1,128.0	1,344.0	1,147.8
Interest expense	28.6	39.7	91.1	100.2
EBITDA	1109.5	981.0	604.2	500.2
EBIT	447.8	438.7	222.5	123.6
Equity	1,698.7	1,676.8	1,577.0	1,348.2
Net debt / EBITDA	0.7x	1.1x	2.2x	2.3x
EBIT / Int. Exp.	15.7x	11.1x	2.4x	1.2x
Net debt / Equity	46%	67%	85%	85%
FCF	250.4	-391.9	-305.6	-122.7

***Adjusted to account for capital increase**

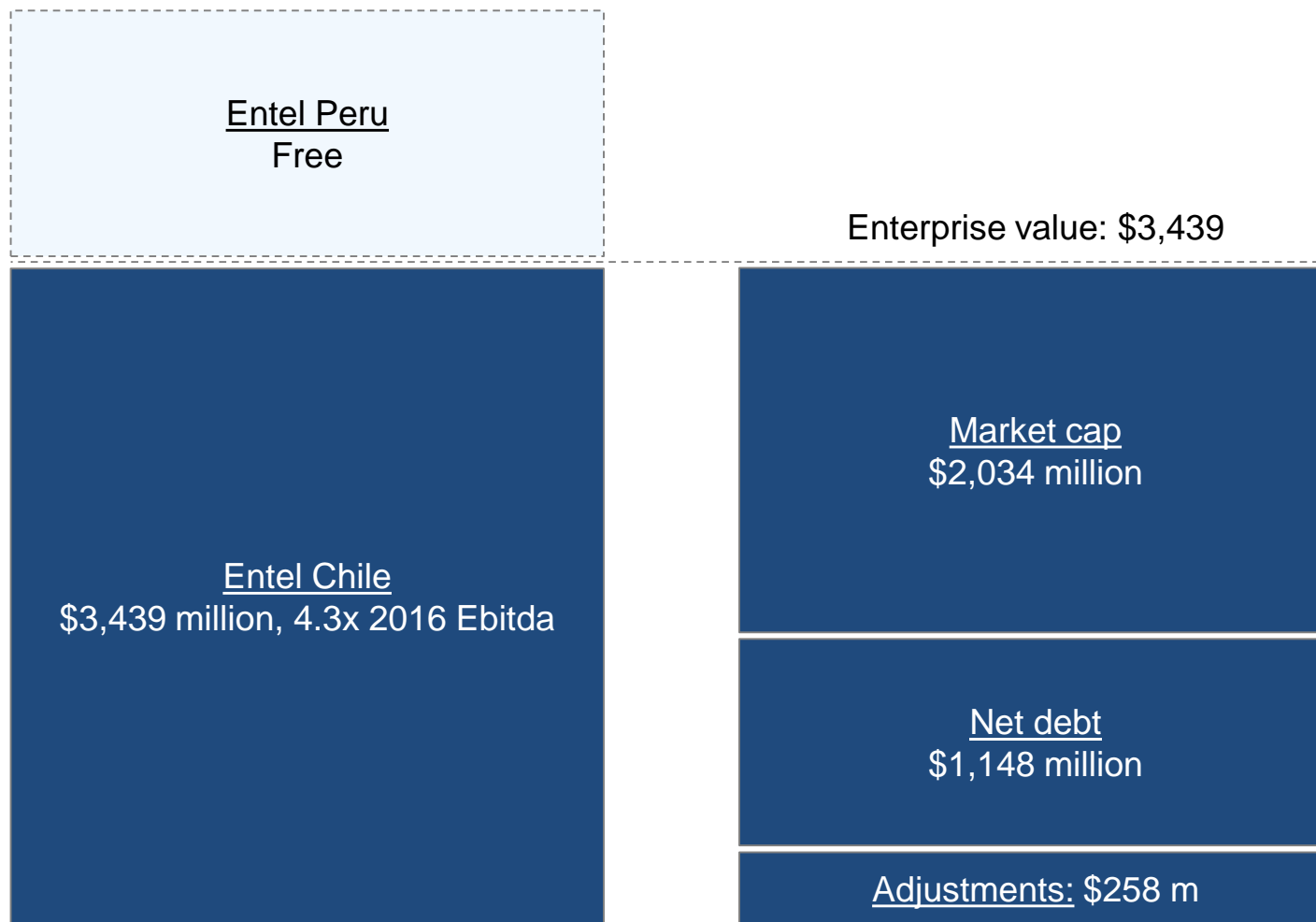
Trading at 3.8x 2018 Ebitda

ENTEL (ENEL CI) Chile: Telecommunications

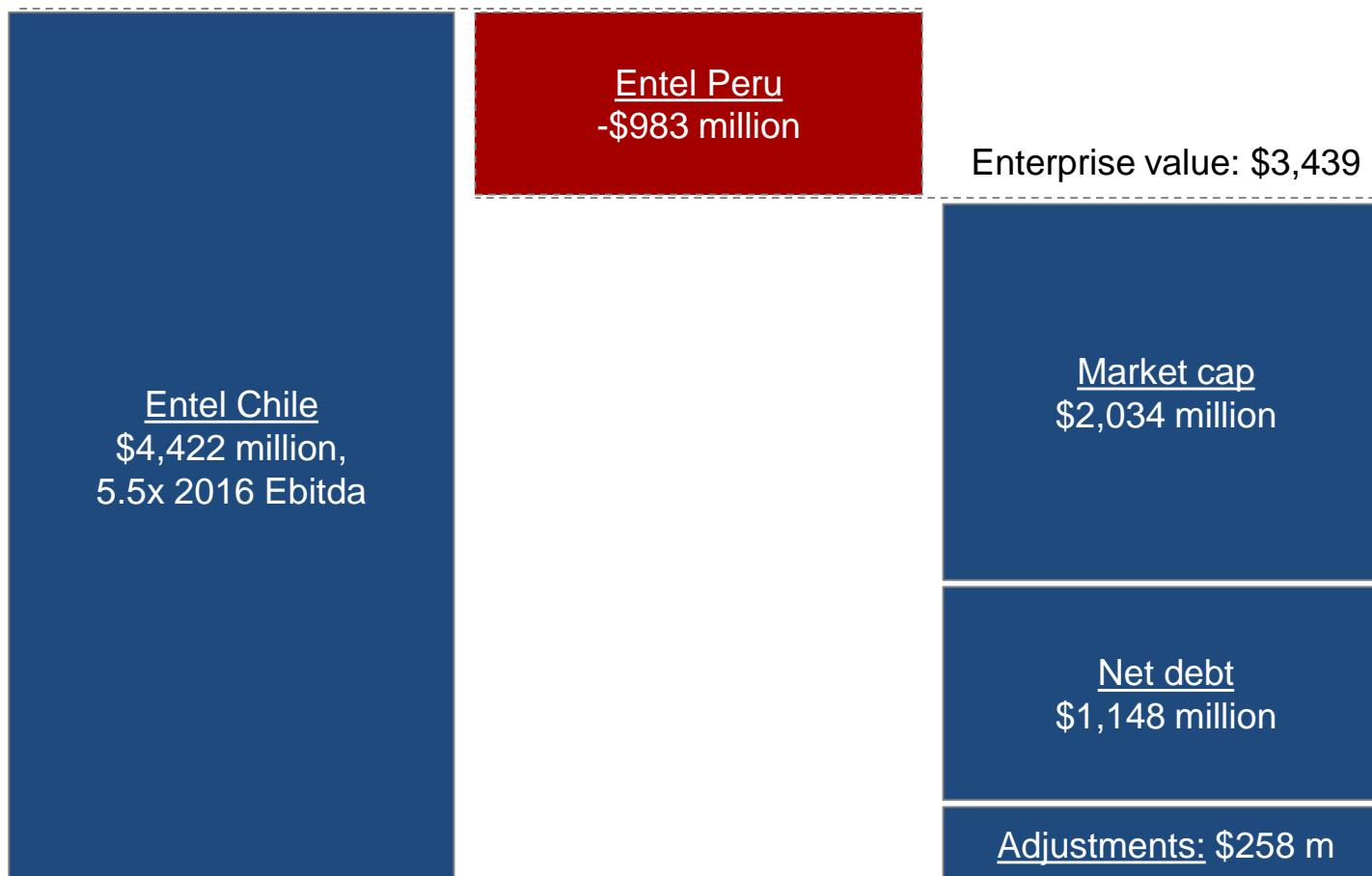
Snapshot			Summary (USD m)							
ENTEL	CLP	USD	2012	2013	2014	2015	2016E	2017E	2018E	Target
Stock price	5,845	8.60	Revenue	2,984	3,099	2,734	2,519	2,797	3,037	3,194
Target	11,316	15.83	Growth		3.8%	-11.8%	-7.9%	11.1%	8.6%	5.2%
Upside	94%	84%	EBITDA	1,109	981	604	500	627	852	973
MC (m)	1,382,481	2,033.36	Margin	37.2%	31.7%	22.1%	19.9%	22.4%	28.0%	30.5%
Net debt (m)	831,300	1,173	EV/EBITDA				7.2x	5.9x	4.4x	3.8x
EV (m)	2,213,781	3,207	EPS	1.48	1.18	0.39	(0.01)	0.36	0.85	1.11
ADTV (m)	381.97	0.562	P/E				n.a.	23.6x	10.2x	7.8x
Headquartered	Santiago, Chile		Equity (BV)	1,699	1,677	1,577	1,348	2,004	2,167	2,333
			Return on avg. equity	21.1%	17.3%	6.1%	-0.1%	6.5%	12.0%	14.6%
			P/B				1.4x	1.3x	1.2x	1.1x
			Net debt/EBITDA	0.7x	1.6x	2.6x	2.3x	2.5x	1.8x	1.5x
			Dividend yield				0.0%	0.0%	4.1%	5.3%
			Chile Macro	2012	2013	2014	2015	2016E	2017E	2018E
			CLP (year end)	479.2	525.5	606.5	708.6	699.0	700.0	715.0
			FX change (y-o-y)	-7.8%	9.7%	15.4%	16.8%	-0.1%	0.1%	2.1%
			Inflation (y-o-y)	1.5%	2.8%	4.6%	4.3%	4.0%	3.3%	3.0%
			GDP (y-o-y)	5.4%	4.2%	1.9%	2.1%	1.9%	2.7%	3.0%
			Current							679.9



Ignoring Peru, Chile trades at just 4.3x Ebitda



Or valuing Chile at 5.5x Ebitda, Peru detracts \$844 million



Source: Company Financial Reports, Explorador Capital Management analysis

Acquisition target?



Value opportunities across Latin America

Six key markets, 465 million people, \$4.2 trillion GDP

Mexico

Population: 121 million

GDP: \$1,146 billion

GDP growth: 2.5%

Inflation: 2.1%

Interest rate: 3.25%

Colombia

Population: 48 million

GDP: \$298 billion

GDP growth: 3.1%

Inflation: 6.8%

Interest rate: 5.75%

Peru

Population: 32 million

GDP: \$192 billion

GDP growth: 3.3%

Inflation: 4.4%

Interest rate: 3.75%

Brazil

Population: 204 million

GDP: \$1,773 billion

GDP growth: -3.8%

Inflation: 10.7%

Interest rate: 14.25%

Chile

Population: 18 million

GDP: \$239 billion

GDP growth: 2.0%

Inflation: 4.4%

Interest rate: 3.50%

Argentina

Population: 42 million

GDP: \$605 billion

GDP growth: 1.9%

Inflation: 26.9%

Interest rate: 27.3%

