

# OVERVIEW

Chile / Equity - Corporate Credit / Utilities

2 MAY 2022

## ENGIE ENERGIA PERU 1Q22 RESULTS: EXPIRATION OF REGULATED PPAs STARTS TO HURT PROFITS

### KEY DRIVERS

- 🔗 EBITDA dropped -26.6% YoY to USD 49.7mn, driven down by lower contract sales and changes to the gas price declaration mechanism.
- 🔗 Net income came to USD 22.3mn, down from USD 29.1mn in 1Q21, mostly owing to weaker operating performance and FX differences.
- 🔗 Net debt/EBITDA worsened to 1.78x on lower EBITDA.



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- Net income came to USD 22.3mn, down from USD 29.1mn in 1Q21, mostly owing to weaker operating performance and FX differences.
- Net debt/EBITDA worsened to 1.78x on lower EBITDA.

Consolidated EBITDA came in at USD 49.7mn (-26.6% YoY), mainly on account of the -17% YoY drop in contract sales (mostly in the regulated segment as PPAs came to an end) and the change in the gas price declaration mechanism, which pushed up spot purchase prices. Net income came to a profit of USD 22.3mn (-23.5% YoY) owing to weaker operating performance and the negative impact of PEN appreciation on FX differences.

Net generation increased from 898 GWh in 1Q21 to 981 GWh in 1Q22 (+9.2% YoY). This was driven by thermal generation, which grew +27.6% YoY after the shorter than expected programmed maintenance at the Chilca plant. This was partially offset by a drop in hydro generation (-5.7% YoY). Despite the increase in generation and the YoY drop in regulated and unregulated sales (-33% and -8%, respectively), the company remained a net spot buyer, though the share of spot purchases fell from 59% of total demand in 1Q21 to 46% this quarter.

Revenues contracted -6% YoY to USD 121.1mn on account of lower regulated demand caused by the expiration of long term PPAs. Costs rose 17% YoY, mostly on account of energy purchases at higher prices after regulatory changes to the gas price declaration mechanism led to a 179% hike in spot prices, and also because of the rise in natural gas consumption after the increase in Chilca gas generation (+28% YoY).

Net income came to USD 22.3mn, down from USD 29.1mn in 1Q21 (-23.5% YoY), mainly on account of weaker operating performance that was further compounded by the impact of PEN appreciation on FX differences (USD +6.4mn in 1Q21 vs USD -1.8mn in 1Q22). Net Debt/EBITDA went from 1.52x in 4Q21 to 1.78x in 1Q22 after the drop in EBITDA.

### Engie Energia Peru: Quarterly Income Statement (USD mn)

	1Q22a	1Q21a	%Var 22/21
Revenues	121.1	128.9	-6.1%
Op. Income	28.4	47.9	-40.6%
Op. Margin (%)	23.5%	37.1%	
<b>EBITDA</b>	<b>49.7</b>	<b>67.7</b>	<b>-26.6%</b>
EBITDA Margin (%)	41.0%	52.5%	
<b>Net Income</b>	<b>22.3</b>	<b>29.1</b>	<b>-23.5%</b>
Net Margin (%)	18.4%	22.6%	

Source: LarrainVial Research Department

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

### STOCK INFORMATION

Current Price:	6.17
Target Price:	7.50
Recommendation:	NEUTRAL
BBG ticker:	ENGIEC1 PE
52w high-low:	6.75 – 5.30
Free Float:	38%
#Shares:	601 mn

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