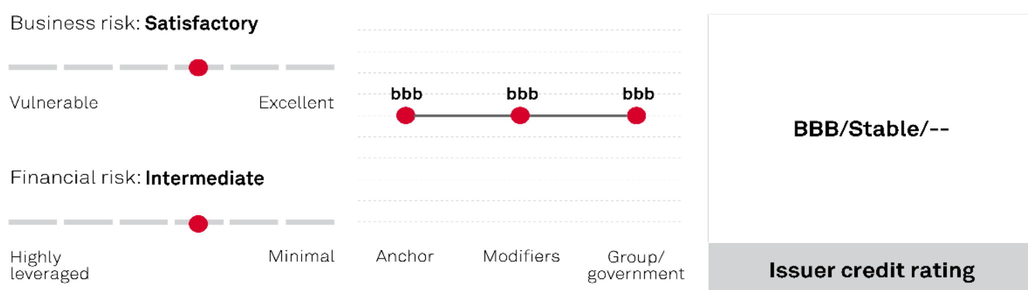
Colbun S.A.

May 22, 2023

Ratings Score Snapshot



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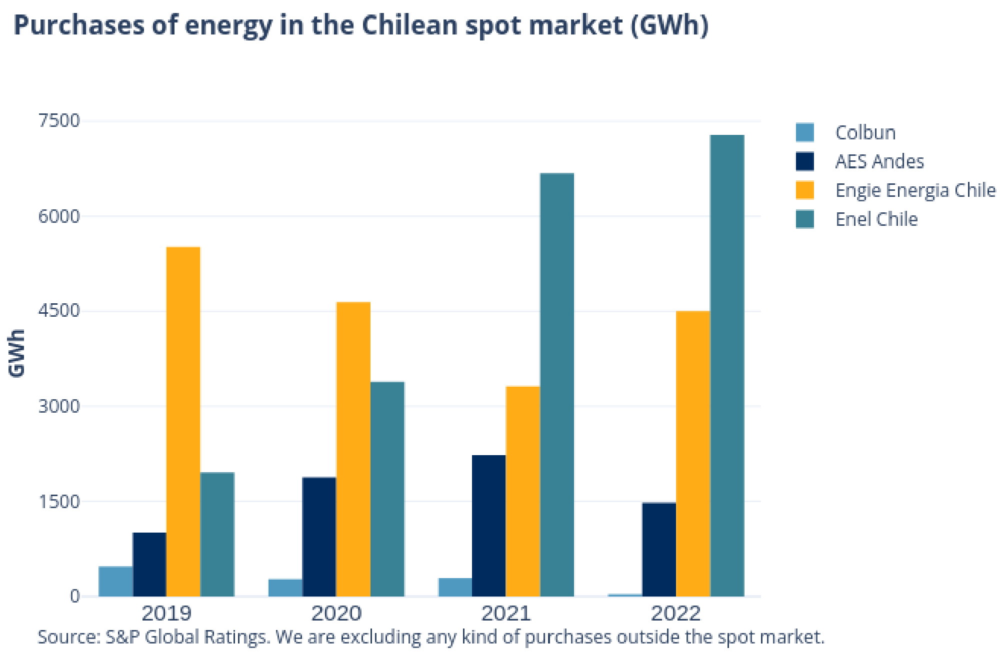
Credit Highlights

Overview

Key strengths	Key risks
A leading power generator in Chile with a 16% market share in terms of generation as of March 2023, and with large offtake agreements averaging eight years that generate stable and predictable cash flows and credit metrics.	If Colbun S.A. aggressively develops renewable capacity in Chile, it could harm its credit metrics, specifically if net debt to EBITDA increases to above 2.5x while free operating cash flow (FOCF) to debt is below 15%.
A diversified generation capacity that better positions the company in energy transition than its domestic peers, given that only 17% of its 2022 generation is carbon based, compared with other players with more than 55%.	Continued exposure to dry weather conditions, given that 38% of output and 41% of installed capacity comes from hydropower facilities as of December 2022.
Significant cash position bolsters liquidity and reduces net debt despite a sizable investment plan.	

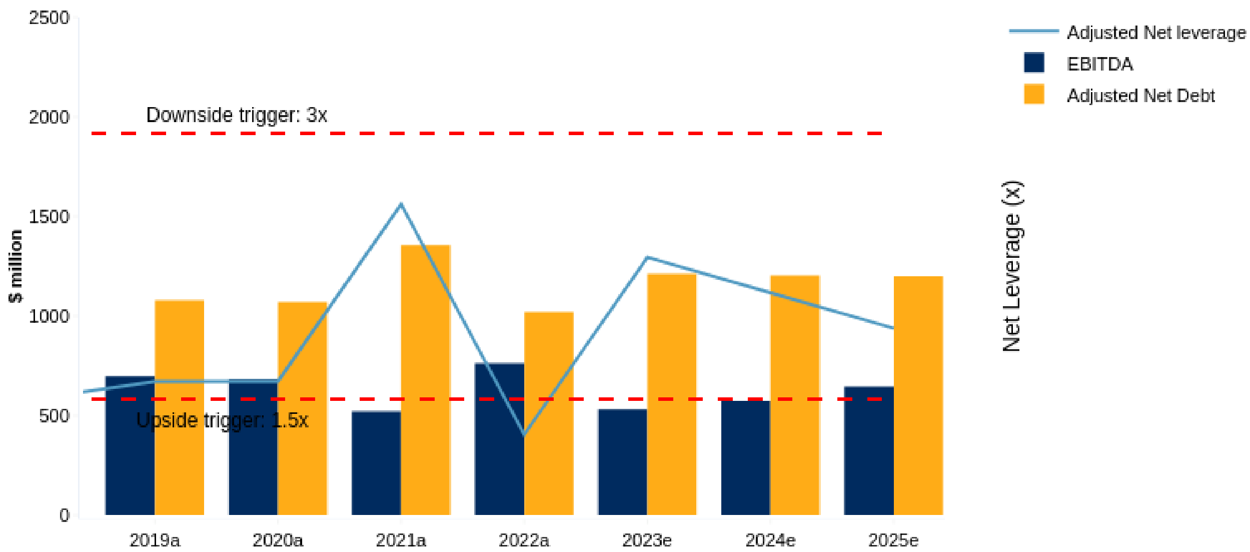
We expect Colbun's leverage to remain conservative despite the volatility in the Chilean energy generation sector. Although we expect Colbun's cash flows to fluctuate in the short to medium term stemming from volatile fuel prices and uncertain hydrological conditions, the company services the long-term contracts through its own generation, which reduces the need to buy energy on the spot market. We will closely monitor Colbun's cash flows, given that higher fuel prices and dry weather conditions--that require additional thermal generation--could pressure the company's margins and working capital needs.



Gyrations in fuel prices in 2022, stemming from the Russia-Ukraine conflict, lifted energy spot prices in Chile. This, combined with Colbun's higher generation due to better hydrology conditions and the company's energy seller position, caused its margins to jump, with EBITDA soaring to $658 million in Chile from $397 million in 2021. Fenix Power Peru S.A.'s performance also improved due to higher generation and sales on the spot market at higher prices in Peru, with EBITDA near $100 million last year.

We expect Colbun to report EBITDA of $500 million - $550 million in 2023, which is in line with the company's first-quarter adjusted EBITDA of $192 million. We also forecast EBITDA to be in the $550 million area in 2024, assuming hydro generation of about 5 terawatt hours (TWh) per year and declining marginal costs as new capacity enters the system. For 2025, we expect EBITDA to increase to $600 million - $650 million due to additional renewable capacity entering into operations. Leverage will remain between 2.0x and 2.5x in 2023 and 2024 as additional investments are required, but it will return to 1.5x-2.0x in 2025.

We Expect Net Leverage to Remain Below 3x In The Next Years



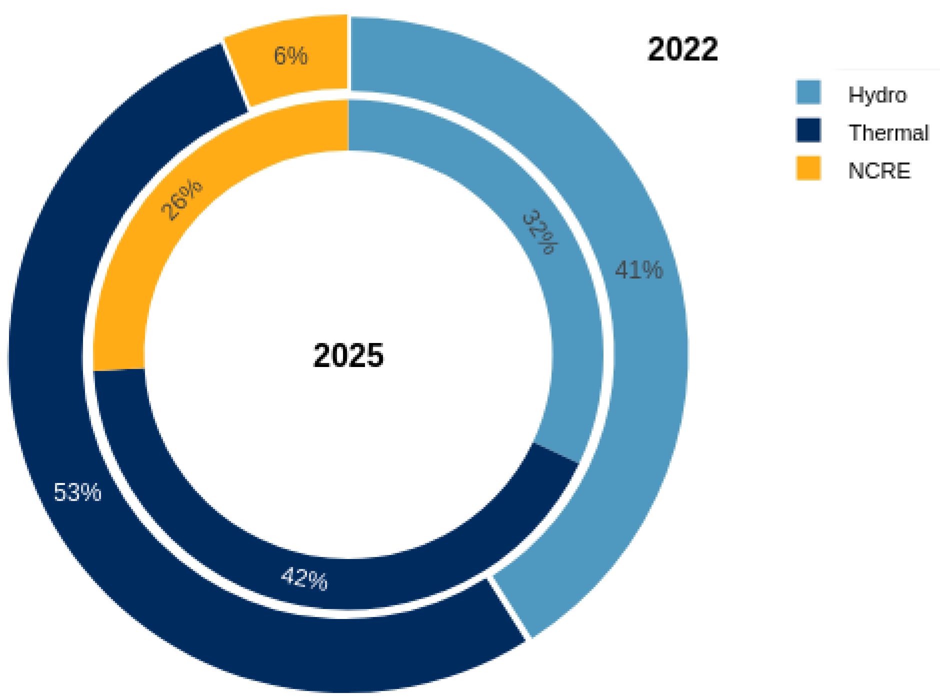
a--Actual. e--Estimate. Source: S&P Global Ratings.

Colbun expects its renewable energy capacity to reach near 4,000 megawatts (MW) by 2030. Colbun is currently increasing its installed capacity by complementing its hydroelectric and thermal capacity with solar and wind energy, which will provide a more competitive and sustainable generation matrix. The company aims to add 4,000 MW of renewable capacity by 2030 and has various projects under construction, which have received environmental approvals. The largest project under construction is the Horizonte wind farm, with an installed capacity of approximately 812 MW and an expected annual generation of approximately 2,380 gigawatt hours (GWh). As of March 2023, the project's construction was 47% complete, and commissioning is likely to begin during the fourth quarter of 2024. In addition, Colbun has already completed the Diego de Almagro photovoltaic plant of 232 MW and it's currently in operations. We expect the company to make considerable capital expenditure (capex) disbursements of $500 million - $550 million in 2023 and $200 million - $250 million in 2024 mainly due to the construction of Horizonte. We're excluding the development of additional new projects in order to reach the target capacity, because they depend on new signed contracts.

Colbun's growth in renewable capacity in Chile

Source: S&P Global Ratings.

Evolution of Installed Capacity Through 2025



Outer ring represents Installed Capacity as of December 2022 and inner ring Projected Installed Capacity in 2025.
Source: S&P Global Ratings.

Colbun maintains a strong cash position, which we believe it would mainly use to finance capacity expansion, given the absence of significant debt maturities in the short term. Cash and liquid investments as of March 31, 2023, totaled $1 billion, which along with funds from operations, is more than enough to fund the investment plan, service debt maturities, and distribute dividends. In this regard, the company announced that on March 28, 2023, it proposed at the shareholders' meeting to distribute a final dividend of $148 million, that consists of a final dividend of $64 million and a provisional dividend of $75 million. We expect Colbun to continue to distribute 50% of the previous year's net income in the upcoming years, which is in line with historical levels, without compromising its strong liquidity position.

Outlook

The stable outlook on Colbun reflects that on its parent, Minera Valparaiso S.A. (Minera; BBB/Stable/--), and our expectation that it will post solid credit metrics in the next 18 months, with net debt to EBITDA below 2.5x. The outlook also incorporates our expectation that the company won't face early termination of contracts that could jeopardize the stability and predictability of its profitability, while it generates consolidated EBITDA between $500 million and $550 million. In addition, we expect Colbun to implement its capex plan with no significant deviations that could put at risk the projects' commercial operations date.

Downside scenario

In the next two years, we could downgrade the company if its leverage increases such that its net debt to EBITDA rises above 3.0x or if it consistently reports leverage between 2x and 3x, while free operating cash flows (FOCF) to debt remains below 15%. Such metrics could stem from a rise in debt of more than $450 million due to, for example, an aggressive expansion strategy or from a drop in EBITDA to less than $420 million in 2023. In addition, weaker metrics could result from a sharp decrease in volume as a result of economic contraction that could reduce Colbun's EBITDA. We might also take a negative rating action if the company maintains an aggressive dividend policy in the next 24 months that could pressure its cash position as it expands renewable capacity, weakening its credit metrics. Finally, we could lower the ratings on Colbun if we perceive significant delays in its renewable plan that could jeopardize the signed contracts. We could also downgrade Colbun if we lower our rating on Minera below ‘BBB’, given that we view Colbun as a core subsidiary of the latter.

Upside scenario

An upgrade of Colbun is unlikely in the next two years given its financing of the renewable energy expansion. An upgrade would require a consistent improvement in the company's credit metrics, particularly net debt to EBITDA below 1.5x and FOCF to debt above 40%. In addition, if were to raise our rating on Minera above ‘BBB’, we would upgrade Colbun to the same level.

Our Base-Case Scenario

Assumptions

- Macroeconomic variables that we view as relevant for the unregulated utilities segment, particularly GDP growth, which mainly correlates to demand for electricity, and inflation levels that affect costs over time. For our analysis, we used Chile and Peru's macroeconomic data forecast from our latest credit conditions article, “Economic Outlook Emerging Markets Q2 2023: Global Crosscurrents Make For A Bumpy Deceleration” and "Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise", both published on March 27, 2023. We expect Chile's GDP to decline by 0.4% in 2023 and grow by 2.6% in 2024, and Peru's to expand 2.0% and 2.8%, respectively. We expect inflation to be 7.9% and 4.1% in Chile for 2023 and 2024, and 5.8% and 3% in Peru, respectively.
- Stable energy capacity in Chile of about 3,500 MW in 2023, increasing in 2024 by 812 MW once the Horizonte wind farm starts operations in the last quarter of 2024.
- Our analysis incorporates dry conditions in Chile that would lead to the company's total generation of about 12,000 GWh, mostly to serve contracts. We expect average prices of $130-$140 per GWh for regulated clients, $100/GWh for unregulated clients, and $95/GWh for spot sales. Despite dry conditions, we expect Colbun to have a limited exposure to spot-market purchases.

- Average generation of Colbun's Peruvian subsidiary, Fenix, of 3,900 GWh - 4,200 GWh in 2023 and 2024, of which approximately 50% will be sold under long-term power purchase agreements (PPAs) with prices of approximately $65 per megawatt hour (MWh), while short-term PPA prices should be in the $35 per MWh area.
- Maintenance and expansionary capex totaling $500 million - $550 million in 2023 and near $350 million in 2024, mainly due to the additional capacity at Horizonte.
- Dividend payments at 50% of the previous year's net income, in line with historical trends.
- We are not considering the monetization of Colbun’s accounts receivables, given uncertainty over the timing of the transaction.

Key metrics

Colbun S.A.--Key Metrics*

Mil. $	2021a	2022a	2023e	2024f	2025f
Revenue	1,440	1,974	1,500-1,650	1,500-1,650	1,500-1,650
Adjusted EBITDA	520	763	500-550	530-580	600-650
EBITDA margin (%)	36	39	32-34	34-38	38-43
Capital expenditure	254	274	500-550	320-380	300-350
Debt to EBITDA (x)**	2.6	1.3	2-2.5	2-2.5	1.5-2
FFO to debt (%)**	24.1	43.8	30-35	35-40	35-40
FOCF to debt (%)**	0.3	13.1	(10)-0	5-10	5-10

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast.
** For 2021 net debt considers a haircut on cash. We are not applying this adjustment from 2022 onwards.

Company Description

Colbun generates and sells electricity in Chile and Peru. In Chile, Colbun was the second-largest energy power generator in 2022 with a 16% market share in terms of generation, after Enel Chile S.A. (BBB/Stable/--) with a 27% participation. Colbun operates 17 hydroelectric power plants, seven thermal plants, and one solar farm, with installed capacity totaling 3,795 MW. Colbun primarily serves electricity distributors and large companies (mainly manufacturing and mining companies). Colbun owns Peru-based Fenix, a power generator that contributes about 13.4% to consolidated EBITDA. Fenix operates a base-load, combined-cycle dual (gas and diesel) plant with a 567 MW gross installed capacity. It's located near the largest demand center in Peru, the capital city of Lima, and consists of two General Electric (GE) gas turbines (190 MW each), one GE steam turbine, a desalinization plant (2,500 cubic meters [m3] per day), an 8-kilometer (km) transmission line operated by Consorcio Transmantaro (a subsidiary of Interconexión Eléctrica S.A. E.S.P.; not rated) and a 3-km gas distribution pipeline operated by Gas Natural de Lima y Callao S.A.

Peer Comparison

We selected as peers other electricity players that we rate in the region, including AES Andes (BBB-/Stable/--), Engie Energia Chile S.A. (BBB/Watch Neg/--), and Enel Chile S.A., as well as a global player such as Enel SpA (BBB+/Negative/A-2). From a business perspective, although Colbun's market share in Chile in terms of generation is considerable at 16%, domestic peers are vertically integrated and/or participate in the generation and distribution or transmission businesses (in more than one country in most cases), while Colbun operates only the generation segment after the sale of its transmission assets in 2021. While all the Latin American peers have similar business risk characteristics that mainly reflect the contracted nature of their business, we view Colbun as having lesser exposure to the volatility in fuel and energy spot prices, as evidenced in 2022. This is because the company does not have to buy energy in the market to service its PPAs. On the other hand, we view that Enel SpA has stronger business risk profile. This is mainly because of lower country risk in which it operates and its stronger competitive position that stems from geographic and asset diversity, given operations across several continents through more than 150 assets. Colbun's debt metrics remain comparable with those of Enel Americas, and are lower than those of Enel Chile and Engie Chile, as these are more exposed to the increased spot prices and their leverage rose in 2022. Regarding renewable energy capacity, we believe that Colbun is in a better position than Engie Chile or AES Andes, because renewables account for close to half of Colbun's total capacity in Chile, while the other two companies have lower renewable capacity--less than 15% for Engie Chile--of their total assets in Chile. The greater amount of renewable energy installed suggests that Colbun faces a lower re-contracting risk. In addition, Colbun has a higher level of cash, which we believe the company will use to develop its renewables portfolio.

Colbun S.A.--Peer Comparisons

	Colbun S.A.	AES Andes S.A.	Engie Energia Chile S.A.	Enel Chile S.A.	Enel Americas S.A.
Foreign currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Watch Neg/--	BBB/Stable/--	BBB-/Stable/--
Local currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Watch Neg/--	BBB/Stable/--	BBB-/Stable/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$	$
Revenue	1,974	2,579	1,920	5,834	15,729
EBITDA	763	482	179	1,386	4,961
Funds from operations (FFO)	448	277	111	997	3,546
Interest	87	133	75	318	873
Cash interest paid	83	168	56	318	812
Operating cash flow (OCF)	409	147	(428)	565	3,078
Capital expenditure	274	556	197	980	3,606
Free operating cash flow (FOCF)	134	(409)	(625)	(415)	(528)
Discretionary cash flow (DCF)	(18)	(428)	(625)	(461)	(1,193)
Cash and short-term investments	1,136	186	150	1,034	1,337
Gross available cash	1,136	186	150	1,034	1,337
Debt	1,021	1,769	1,767	3,739	6,171
Equity	2,953	1,591	1,814	5,166	15,447

Colbun S.A.--Peer Comparisons

EBITDA margin (%)	38.7	18.7	9.3	23.8	31.5
Return on capital (%)	12.4	11.5	(11.9)	26.3	11.7
EBITDA interest coverage (x)	8.8	3.6	2.4	4.4	5.7
FFO cash interest coverage (x)	6.4	2.7	3.0	4.1	5.4
Debt/EBITDA (x)	1.3	3.7	9.9	2.7	1.2
FFO/debt (%)	43.8	15.7	6.3	26.7	57.5
OCF/debt (%)	40.0	8.3	(24.2)	15.1	49.9
FOCF/debt (%)	13.1	(23.1)	(35.4)	(11.1)	(8.6)
DCF/debt (%)	(1.7)	(24.2)	(35.4)	(12.3)	(19.3)

Colbun S.A.--Peer Comparisons

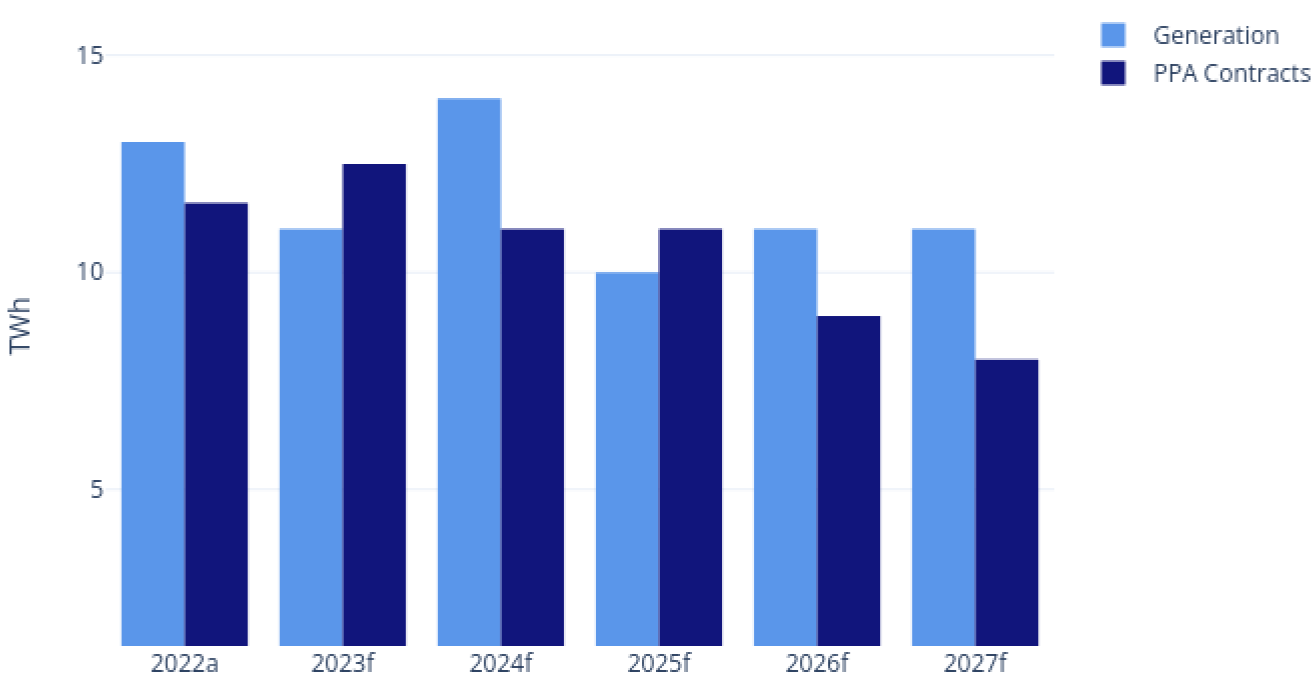
	Colbun S.A.	Enel SpA
Foreign currency issuer credit rating	BBB/Stable/--	BBB+/Negative/A-2
Local currency issuer credit rating	BBB/Stable/--	BBB+/Negative/A-2
Period	Annual	Annual
Period ending	2022-12-31	2022-12-31
Mil.	$	$
Revenue	1,974	148,073
EBITDA	763	18,537
Funds from operations (FFO)	448	14,045
Interest	87	3,269
Cash interest paid	83	2,426
Operating cash flow (OCF)	409	9,582
Capital expenditure	274	14,100
Free operating cash flow (FOCF)	134	(4,518)
Discretionary cash flow (DCF)	(18)	(9,875)
Cash and short-term investments	1,136	11,718
Gross available cash	1,136	11,718
Debt	1,021	89,654
Equity	2,953	42,757
EBITDA margin (%)	38.7	12.5
Return on capital (%)	12.4	8.6
EBITDA interest coverage (x)	8.8	5.7
FFO cash interest coverage (x)	6.4	6.8
Debt/EBITDA (x)	1.3	4.8
FFO/debt (%)	43.8	15.7
OCF/debt (%)	40.0	10.7
FOCF/debt (%)	13.1	(5.0)
DCF/debt (%)	(1.7)	(11.0)

Business Risk

The business risk profile of Colbun reflects its solid competitive position in Chile's energy generation sector and its diversified generation matrix. The profile also incorporates our favorable view of the regulatory, legal, and contractual framework in Chile. The key weaknesses include exposure to droughts, given that hydropower represents about 41% of the company's installed capacity as of December 2022, which we expect will decline as new projects come online.

Long-term PPAs will continue providing Colbun with stable and predictable revenues. Most of Colbun's power generation is contracted with creditworthy counterparties. Contracts incorporate robust clauses that we view as credit strengths including the absence of, or marginal, exposure to dispatch risk because plants generate a significant portion of cash flows from fixed-capacity payments, and the inclusion of pass-through provisions that allow assets to cover fuel and other major costs. In Chile, PPAs have a contracted power supply with an average of 11 TWh through 2025, mostly with unregulated customers, which Colbun expects account for all its clients in Chile by 2026. Additionally, PPAs have an average tenor of eight years.

Colbun's exposure to the spot market is expected to be limited



Source: S&P Global Ratings and Company Disclosures.

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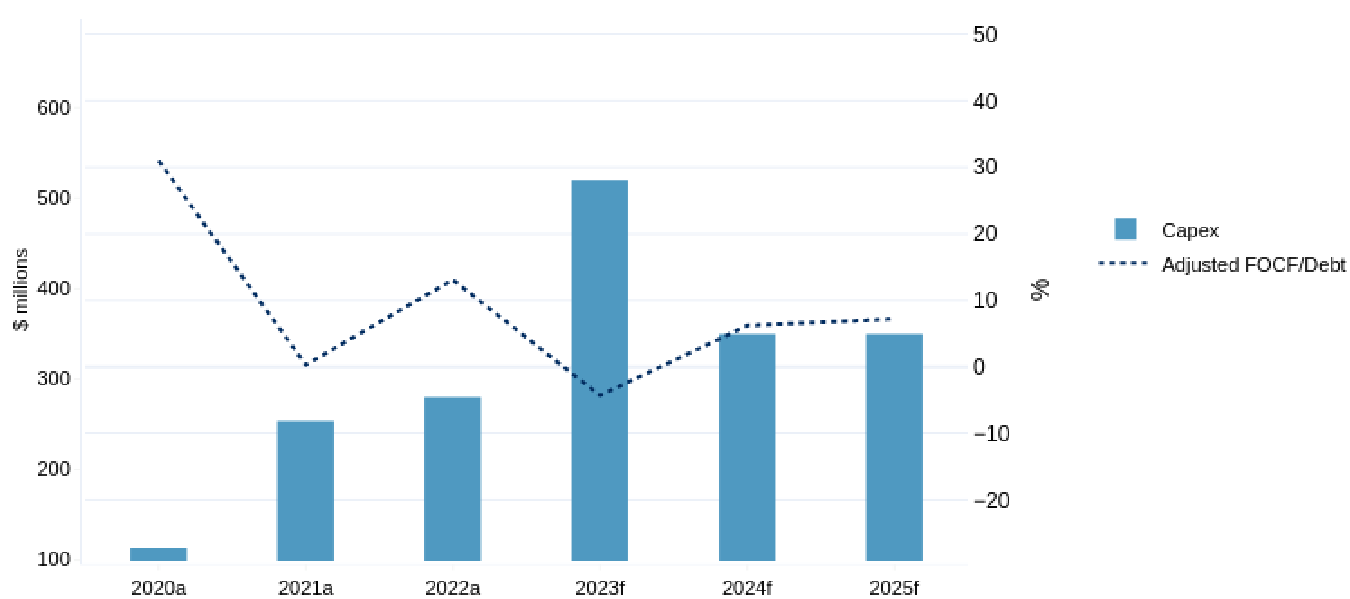
The political crisis in Peru currently has no implications for Fenix’s operations. We consider that the current political turmoil in Peru poses a risk to power demand and economic growth, and could dent the company's performance if, for any reason, demand plummets or if the political conflict escalates. Despite uncertainty over the social and political unrest trajectory, we will continue to monitor very closely the current situation to determine if any rating action is needed, depending on the severity of potential events. We acknowledge that persistent political and social disruptions risk eroding investments further, with negative consequences for the country's economy, which could weaken Fenix's credit quality.

Financial Risk

Colbun's financial risk profile continues to reflect stable and predictable cash flows due to the company's highly contracted profile with long-term contracts that have an average term of eight years. We expect the company to post relatively stable EBITDA, ranging from $500 million to $550 million in 2023, $530 million - $580 million in 2024, and to increase to $600 million - $650 million in 2025 as new projects come online and Colbun continues to sign new contracts. Our rating also incorporates our expectation that Colbun will implement its expansionary capex with no significant deviations that could put at risk the commercial operations date of the projects. Finally, we expect FOCF to be negative in 2023, and to remain below 5% through 2025 given the company’s significant investments.

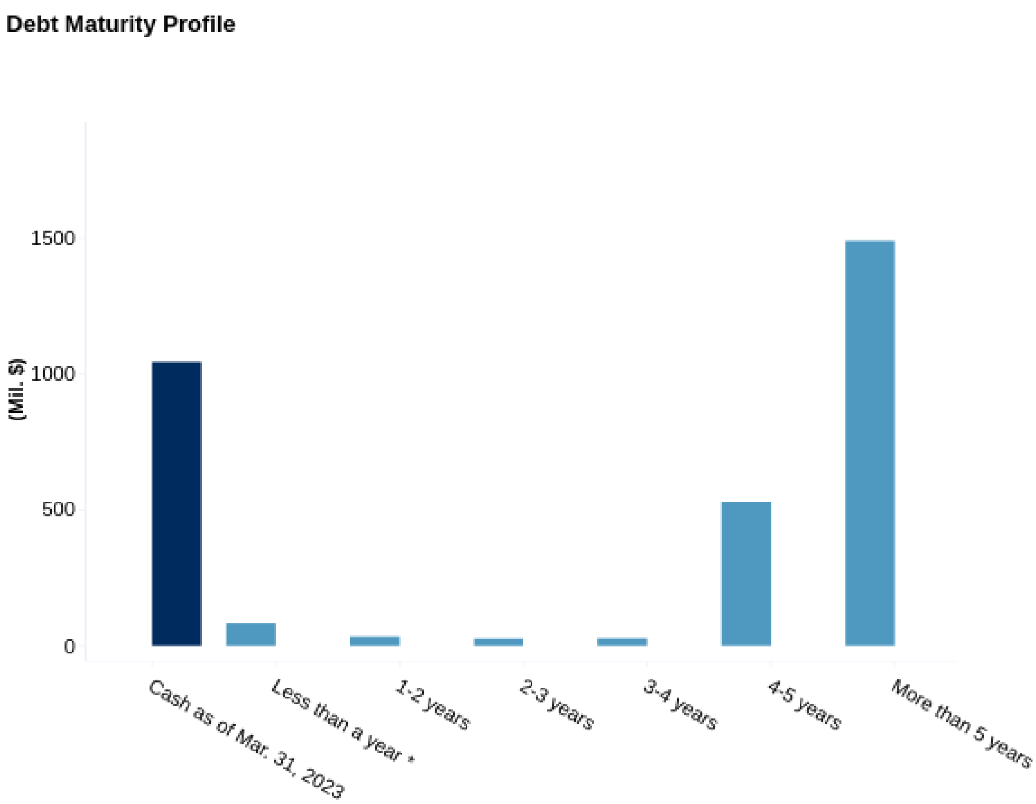
FOCF-to-Debt Will Remain Pressured While Colbun Executes Its Capex Plan



a--Actual. f--Forecast. Source: S&P Global Ratings. For 2020 and 2021 Net Debt is adjusted with a 40% haircut in cash

Debt maturities

Colbun won't face significant maturities in the next two years that could jeopardize its liquidity profile. This is because the company’s debt has a 6.6 year average maturity, with the first significant repayment coming due in 2027, and the rest in 2029 and beyond.



Colbun S.A.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a

Colbun S.A.--Financial Summary

Display currency (mil.)	$	$	$	$	$	$
Revenues	1,548	1,571	1,487	1,349	1,440	1,974
EBITDA	697	684	697	683	520	763
Funds from operations (FFO)	507	501	581	501	326	448
Interest expense	79	73	80	77	79	87
Cash interest paid	93	75	81	81	76	83
Operating cash flow (OCF)	535	460	484	444	258	409
Capital expenditure	118	108	88	113	254	274
Free operating cash flow (FOCF)	417	352	396	332	4	134
Discretionary cash flow (DCF)	256	61	50	90	(1,241)	(18)
Cash and short-term investments	811	788	800	969	1,324	1,136
Gross available cash	811	788	800	969	1,324	1,136
Debt	1,073	1,012	1,081	1,071	1,357	1,021
Common equity	3,951	3,857	3,736	3,585	2,841	2,953
Adjusted ratios						
EBITDA margin (%)	45.0	43.5	46.9	50.6	36.1	38.7
Return on capital (%)	8.2	8.6	7.6	4.6	20.9	12.4
EBITDA interest coverage (x)	8.8	9.4	8.8	8.8	6.6	8.8
FFO cash interest coverage (x)	6.5	7.7	8.2	7.2	5.3	6.4
Debt/EBITDA (x)	1.5	1.5	1.6	1.6	2.6	1.3
FFO/debt (%)	47.2	49.5	53.8	46.8	24.1	43.8
OCF/debt (%)	49.9	45.4	44.8	41.5	19.0	40.0
FOCF/debt (%)	38.8	34.8	36.7	31.0	0.3	13.1
DCF/debt (%)	23.8	6.1	4.6	8.5	(91.4)	(1.7)

Reconciliation Of Colbun S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	2,021	2,818	1,974	763	544	87	763	492	152	274
Cash taxes paid	-	-	-	-	-	-	(232)	-	-	-
Cash interest paid	-	-	-	-	-	-	(83)	-	-	-
Lease liabilities	136	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(1,136)	-	-	-	-	-	-	-	-	-

Reconciliation Of Colbun S.A. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Nonoperating income (expense)	-	-	-	-	(36)	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(83)	-	-
Noncontrolling/ minority interest	-	135	-	-	-	-	-	-	-	-
Total adjustments	(1,000)	135	-	-	(36)	-	(316)	(83)	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	1,021	2,953	1,974	763	507	87	448	409	152	274

Liquidity

We view Colbun's liquidity as strong, which reflects a ratio of cash sources over uses of more than 1.5x in the next 12 months. Although the sources over uses ratio is higher than 2x, we are not assessing Colbun's liquidity at a stronger category (exceptional) because we don't have evidence that management could maintain an A/B ratio higher than 2x under any circumstance while the company expands its renewable capacity. We also expect the sources-to-uses ratio to remain positive, even if forecast EBITDA declines 30%. In addition, because Colbun's debt maturities are structured as long term, the company has the ability to absorb high-impact, low-probability events. Finally, our analysis incorporates Colbun's sound relationships with banks, as seen in the pool of loans and bonds currently in its portfolio and in its satisfactory standing in credit markets.

Principal liquidity sources

Cash and liquid investments of $1 billion as of March 31, 2023; and

FFO of between $350 million and $400 million.

Principal liquidity uses

Capex of $450 million - $500 million in the next 12 months and near $350 million in the subsequent 12 months;

Amortization of Fenix’s bond of $22 million; and

Dividends at 50% of net income in the following and subsequent 12 months, although the company can lower them to 30% of net income—the minimum legal requirement—in case of financial stress.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	E-2	**E-3**	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental factors are a moderately negative consideration in our credit rating analysis of Colbun. However, we believe the entity is better positioned to face energy transition risks than other generation companies in Chile. This is because of Colbun's higher share of hydroelectric installed capacity and generation, whereas the country has a large number of fossil fuel-based plants. Colbun's plan to reach 4,000 MW in renewable energy by 2030 remains on track and within budget. This strategy should allow Colbun to maintain a competitive and sustainable generation matrix which is aligned to the country's ambitious decarbonization target.

Group Influence

Minera Valparaiso is a Chile-based conglomerate that controls Colbun. Additionally, it has minority stakes in Chile-based companies, Empresas CMPC S.A., Almendral S.A., Molibdenos y Metales S.A., Empresas Copec S.A., and Bicecorp S.A. Minera's business profile is underpinned by its solid competitive position in its energy generation business in Chile and its diversified generation matrix, and the participation in forest products, and real estate industries. We continue to view Colbun as a core subsidiary of Minera, given that the former generated near 80% of Minera's consolidated revenue and EBITDA in 2022. Dividends from Minera's minority investments represent the remaining 20% of its EBITDA. Additionally, we don't view the ownership as a ratings constraint.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of March 31, 2023, Colbun's capital structure consisted of about $2.3 billion of senior unsecured gross debt that it and its subsidiary, Fenix, issued. Debt includes Colbun's three international issuances of $1.1 billion ($500 million maturing in 2027, $500 million in 2030, and $600 million in 2032), a $160 million bank credit line due in 2029, Fenix's amortizing notes of $238 million due 2027, and a financial leasing between Fenix and Calidda of $100 million.

Analytical conclusions

Given that debt at the subsidiary's level is below our trigger of 50% of total debt to consider the existence of structural subordination of Colbun's financial debt regarding its subsidiaries, we conclude that there's no structural subordination risk on the senior unsecured debt instruments issued by Colbun. We rate these at 'BBB', which is in line with the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/--**
Local currency issuer credit rating	**BBB/Stable/--**
Business risk	**Satisfactory**
Country risk	Intermediate
Industry risk	Moderately High
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Fair (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Ratings Detail (as of May 22, 2023)*

Colbun S.A.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB
Issuer Credit Ratings History	
29-May-2017	BBB/Stable/--
28-May-2015	BBB-/Stable/--
09-Sep-2011	BBB-/Negative/--
Related Entities	
Minera Valparaiso S.A.	
Issuer Credit Rating	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.