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Colbun S.A.

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This report does not constitute a rating action.

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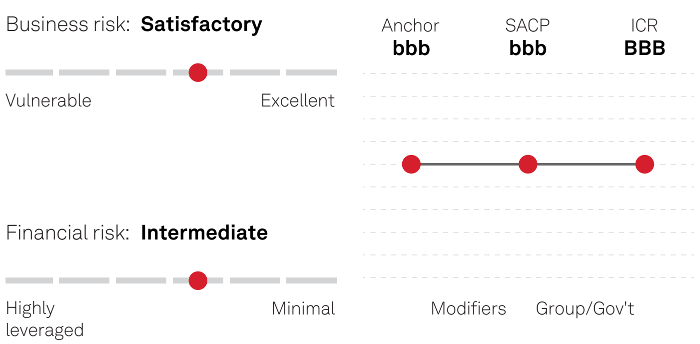
Ratings Score Snapshot



Issuer credit rating
BBB/Stable/--

ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
A leading power generator in Chile with a 13% market share in terms of generation, and with large offtake agreements mostly with creditworthy unregulated customers averaging eight years that generate stable and predictable cash flows.	Aggressive expansion into renewables or international markets, which may weaken financial risk profile
Low carbon exposure, which offers a strategic advantage in renewable energy transition	Key risk triggers include a sustained net debt to EBITDA ratio above 3.0x coupled with a FOCF to debt ratio below 15%
Strong liquidity, supported by a history of robust cash reserves, and smooth debt maturities provide a cushion for upcoming sizable capital expenditures.	Weather-related risks due to high hydropower exposure, partially offset by prudent commercial strategy

A one-off operational event in Peru and still-significant investments will maintain Colbun's net debt to EBITDA at mid-2.0x in 2026. Colbun's Peruvian subsidiary, Fenix Power, faced a significant one-off event caused by a severe interruption in the natural gas supply from Camisea in the first quarter of 2026. This gas emergency necessitated rationing and forced Fenix to run its thermal plants on more expensive diesel, an event that lowered 2026 EBITDA by approximately

$32 million. Full repairs to the gas pipeline were completed on March 14, and Fenix returned to business-as-usual operations. In addition, Colbun is investing roughly $280 million in 2026 mostly in Chile to maintain existing assets and develop new ones, from $343 million in 2025, which still weighs on leverage.

In Chile, we expect a hydrological reversion in the second half of the year as water flows improve, despite a weak first half. During the less favorable hydrological conditions of the first half, the company benefited from stronger spot prices. Higher marginal costs from elevated thermal dispatch helped mitigate the impact of lower hydroelectric output. Consequently, we expect net debt to EBITDA to improve to the mid-2.0x area in 2026 from 2.7x in 2025, before falling below 2.5x in 2027 as new assets begin to drive cash generation. During this period, we expect funds from operations (FFO) to debt to be approximately 30% in 2026--stable compared with 27.1% in 2025--and improve to 30%-35% in 2027.

To support long-term cash flow and credit stability, the company remains focused on its commercial pipeline. Colbun continues to prioritize settling new power purchase agreement (PPA) contracts, primarily with free clients, to secure long-term revenue. Additionally, the company is monitoring opportunities in the regulated market, particularly regarding upcoming auctions, which can help diversify its portfolio and support its market position.

Colbun is focused on its strategic goal of expanding its renewable capacity to nearly 4,000 megawatts (MW) by 2030. The company is significantly increasing its renewable footprint--notably, the construction of the 816-MW Horizonte wind farm was fully finalized in July 2025. Current efforts are focused on the construction of two battery energy storage systems (BESS)--the Celda Solar and Diego de Almagro Sur projects, providing 228 MW with four-hour durations--which stand at 94% and 58% physical completion, respectively, as of June 30, 2026. Additionally, the Don Eduardo substation is 70% complete to support capacity outflow.

These projects represent a total capital expenditure (capex) requirement of $220 million throughout 2026 and 2027. Looking further ahead, Colbún has secured environmental study approvals for four additional projects in Chile totaling 2.4 gigawatts (GW) of capacity and two projects in Peru totaling 960 MW. These projects include the Celda Solar and Inti Pacha photovoltaic farms, alongside expansions for Horizonte and the Junquillos wind park. In Peru, the projects under evaluation are the wind park Bayóvar and the solar farm Algarrobal. If these projects are developed, we believe they would complement Colbun's existing hydroelectric and thermal capacity with nonconventional renewables and storage systems, creating a more competitive and sustainable generation matrix.

Colbun's strong liquidity and smooth debt maturity profile support its credit rating. As of June 30, 2026, the company reported a sound cash position of $833 million. The debt profile remains well-managed, with a smooth maturity schedule featuring $234 million in repayments due in 2027. This 2027 bond maturity was partially mitigated by the strategic repurchase of debt using proceeds from the $500 million notes issued in September 2025. Given this strong cash position and projected funds from operations, the company is well-positioned to fund its investment plan, service all upcoming debt maturities, and continue its dividend distributions.

Outlook

The stable outlook on Colbun reflects that on its parent, Minera Valparaiso S.A. (BBB/Stable/--), and our expectation that Colbun (main contributor to Minera) will post solid credit metrics in the next two years, with net debt to EBITDA below 3.0x. The outlook also incorporates our expectation that the company won't face early terminations of contracts--which could jeopardize the stability and predictability of its profitability--while it generates consolidated EBITDA of about $630 million in 2026 and between $650 million - $670 million in 2027.

In addition, we expect Colbun to implement its capex with no significant deviations that could put at risk the projects' commercial operations date.

Downside scenario

We could downgrade Colbun over the next two years if leverage increases--specifically if net debt to EBITDA consistently exceeds 3.0x and free operating cash flow (FOCF) to net debt remains below 15%. Such deterioration could stem from an aggressive acquisitive strategy or a higher dividend payout, particularly if these are debt-funded and pressure liquidity during the company's renewable capacity expansion.

Additionally, we may take negative rating action if EBITDA worsens because of lower volumes, reduced prices, increased spot market energy costs due to weak hydrology or due to operational issues in the company's asset base.

Finally, a downgrade could result from significant delays in renewable project execution that jeopardize signed contracts, or if we downgrade Minera below 'BBB', given Colbun's status as a core subsidiary.

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 consistent improvement in the company's credit metrics with net debt to EBITDA below 1.5x and FOCF to debt above 40%. In addition, if we 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 include GDP growth, which mainly correlates to demand for electricity, and inflation levels, which adjusts PPAs and affect costs. (For our analysis, we used Chile and Peru's macroeconomic data forecast from our latest credit conditions article, Economic Outlook Emerging Markets Q3 2026: Inflationary Pressures Will Persist, published June 24, 2026.)
- Chile GDP to grow 1.8% in 2026, 2.4% in 2027 and 2.2% afterwards, and Peru's to expand 2.7% in 2026, 2.9% in 2027 and 2.9% afterwards.
- Inflation of 3.8% in 2026, 3.5% in 2027, and 3.1% in 2028 in Chile; in Peru we expect 3.7% in 2026, 3.5% in 2027, and 2.4% in 2028.
- Energy capacity in Chile of about 4,462 MW in 2026, considering the full contribution of the Horizonte wind farm (816 MW). We assume the company finishes Celda Solar's and Diego de Almagro's BESS projects in early 2027, adding 228 MW of capacity each.
- Power generation output in Chile of about 11,700 gigawatt hours (GWh), mostly to serve contracts. We expect average prices of around $125 per GWh for regulated clients, $112 per GWh for unregulated clients, and $60 per GWh for spot sales. In a scenario of weaker hydrology, we expect Colbun to access energy spot market eventually to honor its PPAs, especially if the company faces any operating issue with its existing assets.

- Average generation of Colbun's Peruvian subsidiary, Fenix, of 3,600 GWh in 2026, of which approximately half will be sold under long-term PPAs with prices of approximately $60 per megawatt hour (MWh), while short-term PPA prices should be in the $40 per MWh area.
- Maintenance and expansionary capex totaling $300 million in 2026, mainly due to the additional BESS projects. From 2027 onwards, we assume $250 million of capex annually as the company may continue developing new projects in line with its decarbonization strategy.
- Dividend payments at 50% of the previous year's net income, in line with historical trends.

Key metrics

Colbun S.A.--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. $)	2024a	2025a	2026e	2027f	2028f
Revenue	1,576	1,596	1,670	1,686	1,639
Adjusted EBITDA	642	609	631	658	599
Funds from operations (FFO)	415	397	479	495	459
Interest expense	88	102	96	100	90
Capital expenditure (capex)	236	343	280	280	200
Free operating cash flow (FOCF)	142	38	152	213	267
Dividends	135	104	93	108	115
Debt (reported)	2,163	2,429	2,189	2,146	2,097
Plus: Lease liabilities debt	137	129	129	129	129
Less: Accessible cash and liquid Investments	(775)	(886)	(704)	(752)	(855)
Adjusted Debt	1,524	1,672	1,614	1,523	1,371
Adjusted ratios					
Debt/EBITDA (x)	2.4	2.7	2.6	2.3	2.3
FFO/debt (%)	30.6	27.1	29.7	32.5	33.5
FFO cash interest coverage (x)	6.3	5.7	6.0	5.9	6.1
EBITDA interest coverage (x)	7.3	6.0	6.6	6.6	6.7
CFO/debt (%)	24.8	22.8	26.8	32.3	34.0
FOCF/debt (%)	9.3	2.2	9.4	14.0	19.5
DCF/debt (%)	0.5	(3.9)	3.6	6.9	11.1

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. $--U.S. dollar.

Company Description

Colbun is a privately owned power generation company that operates in Chile and Peru, with adjusted revenues of $1.64 billion and EBITDA of $580 million as of the rolling 12 months ended in June 2026, which was affected by the one-time event in Peru. It is Chile's second-largest power generator with a 13% market share in terms of generation, behind the 30% market share of Enel Chile S.A. (BBB/Stable/--) and similar to the market share of AES Andes S.A. (BBB-/Stable/--).

In Chile, Colbun operates a mix of assets with a total installed capacity of 5,034 MW as of June 2026, including hydroelectric power plants, thermal plants, and solar and wind assets. Its strategy is to primarily serve large companies (mainly manufacturing and mining companies) and, to a lesser extent, electricity distributors, minimizing its exposure to the spot market.

Colbun owns Peru-based Fenix Power Peru S.A. (BBB-/Stable/--), a power generator that contributes about 12% to consolidated EBITDA. Fenix operates a base-load, combined-cycle dual (gas and diesel) plant with a 572-MW gross installed capacity located near the largest demand center in Peru, the capital city of Lima.

Peer Comparison

Our peer group includes regional electricity companies--AES Andes, Engie Energia Chile S.A., Enel Chile S.A., and Enel Americas--as well as a global player, Enel SpA. While Colbun holds a significant 12% generation market share in Chile, it differs from Enel Americas and Enel SpA as they are vertically integrated operating mostly across generation and distribution.

In turn, following the 2021 sale of its transmission assets, Colbun focuses exclusively on generation, in line with Engie Energia and AES Andes. Although Latin American peers share similar business risk profiles due to the contracted nature of their operations, Colbun exhibits lower exposure to fuel and energy spot price volatility because it requires minimal spot market purchases to service its PPAs.

Enel SpA maintains a stronger business risk profile due to its lower geographic country risk and superior competitive position, underpinned by asset and geographic diversity across several continents. In terms of leverage, Colbun's metrics are comparable with Enel Chile and lower than those of Engie Chile and AES Andes. Furthermore, we believe Colbun's robust cash position provides significant flexibility to fund its renewable portfolio development.

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.	Enel SpA
Foreign currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/--	BBB/Stable/--	BB+/Stable/--	BBB/Positive/A-2
Local currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/--	BBB/Stable/--	BB+/Stable/--	BBB/Positive/A-2
Period	Annual	Annual	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31	2025-12-31	2025-12-31
Mil.	$	$	$	$	$	$
Revenue	1,596	2,095	2,077	4,663	13,147	94,160
EBITDA	609	524	652	1,477	4,134	24,573
Funds from operations (FFO)	453	349	546	1,023	2,549	17,883
Interest	102	134	142	206	984	3,800
Cash interest paid	96	147	95	181	600	3,341
Operating cash flow (OCF)	381	597	676	1,150	2,215	16,509
Capital expenditure	343	205	1,053	455	2,299	10,741
Free operating cash flow (FOCF)	38	391	(377)	694	(84)	5,768
Discretionary cash flow (DCF)	(66)	370	(430)	343	(1,584)	(4,519)
Cash and short-term investments	886	155	99	463	1,978	6,006

Colbun S.A.--Peer Comparisons

Gross available cash	886	155	99	463	1,978	6,006
Debt	1,672	1,727	2,462	3,605	5,320	86,134
Equity	3,247	2,724	1,733	5,550	18,577	50,130
EBITDA margin (%)	38.2	25.0	31.4	31.7	31.4	26.1
Return on capital (%)	6.8	7.0	12.4	12.3	13.7	12.7
EBITDA interest coverage (x)	6.0	3.9	4.6	7.2	4.2	6.5
FFO cash interest coverage (x)	5.7	3.4	6.7	6.6	5.2	6.4
Debt/EBITDA (x)	2.7	3.3	3.8	2.4	1.3	3.5
FFO/debt (%)	27.1	20.2	22.2	28.4	47.9	20.8
OCF/debt (%)	22.8	34.5	27.5	31.9	41.6	19.2
FOCF/debt (%)	2.2	22.6	(15.3)	19.3	(1.6)	6.7
DCF/debt (%)	(3.9)	21.4	(17.5)	9.5	(29.8)	(5.2)

Financial Summary

Colbun S.A.--Financial Summary

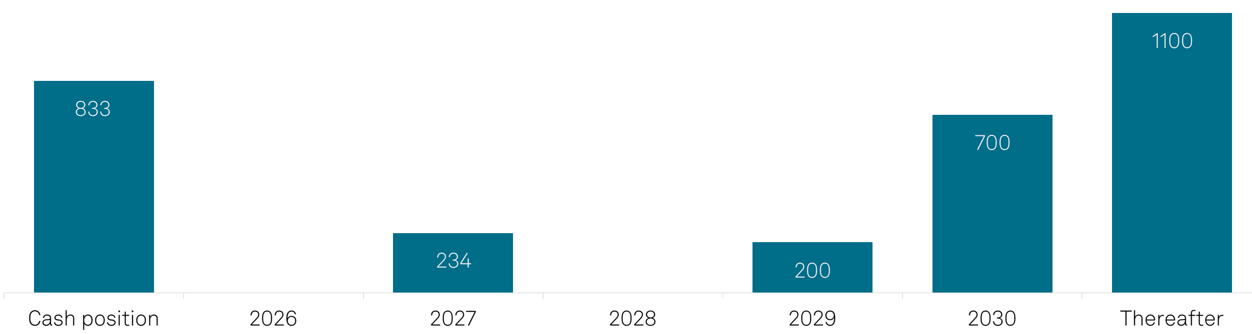
Period ending	**Dec-31-2020**	**Dec-31-2021**	**Dec-31-2022**	**Dec-31-2023**	**Dec-31-2024**	**Dec-31-2025**
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	$	$	$	$	$	$
Revenues	1,349	1,440	1,974	2,004	1,576	1,596
EBITDA	683	520	763	714	642	609
Funds from operations (FFO)	501	326	448	606	415	397
Interest expense	77	79	87	88	88	102
Cash interest paid	81	76	83	87	87	118
Operating cash flow (OCF)	444	258	409	631	378	381
Capital expenditure	113	254	274	522	236	343
Free operating cash flow (FOCF)	332	4	134	110	142	38
Discretionary cash flow (DCF)	90	(1,241)	(18)	(195)	7	(66)
Cash and short-term investments	969	1,324	1,136	1,033	775	886
Gross available cash	969	1,324	1,136	1,033	775	886
Debt	1,071	1,357	1,021	1,091	1,524	1,672
Common equity	3,585	2,841	2,953	3,097	3,230	3,247
Adjusted ratios						
EBITDA margin (%)	50.6	36.1	38.7	35.6	40.8	38.2
Return on capital (%)	4.6	20.9	12.4	15.7	9.3	6.8
EBITDA interest coverage (x)	8.8	6.6	8.8	8.1	7.3	6.0
FFO cash interest coverage (x)	7.2	5.3	6.4	8.0	5.8	4.4
Debt/EBITDA (x)	1.6	2.6	1.3	1.5	2.4	2.7
FFO/debt (%)	46.8	24.1	43.8	55.5	27.3	23.8
OCF/debt (%)	41.5	19.0	40.0	57.9	24.8	22.8
FOCF/debt (%)	31.0	0.3	13.1	10.0	9.3	2.2
DCF/debt (%)	8.5	(91.4)	(1.7)	(17.9)	0.5	(3.9)

Debt Maturities

Colbun won't face significant maturities in the next two years that could jeopardize its liquidity profile. The company's debt has a 5.2-year average maturity, with the first significant repayment coming due in 2027, and the rest in 2029 and beyond. As of June 30, 2026, the company reported $2.4 billion in gross debt.

Colbun's Debt Amortization Profile

As of June 30, 2026 (in US$ million)



Source: S&P Global Ratings.

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. 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 can 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 in its portfolio and in its satisfactory standing in credit markets.

Principal liquidity sources	Principal liquidity uses
• Cash and liquid investments of $833 million as of June 30, 2026 • FFO of around $490 million in the next 12 months	• Short-term debt maturities totaling roughly $100 million as of June 30, 2026 • Intrayear working capital needs of $100 million annually • Capex between $250 million-$300 million annually • 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 or if liquidity is needed for expansionary projects

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit analysis of Colbun because approximately 40% of its installed capacity is tied to fossil fuel sources. However, this risk is mitigated by the company's favorable positioning in energy transition. Colbun's capacity is already heavily weighted toward renewables, including hydropower (32%), wind (21%), and solar (5%). Furthermore, environmental risks are addressed through a disciplined investment strategy; the company's goal to add 4,000 MW of renewable capacity by 2030 remains on schedule and within budget, ensuring alignment with national decarbonization targets.

We'll monitor Colbun's exposure to El Niño across its Chilean and Peruvian operations. In Chile, improved hydrological conditions are likely to increase hydroelectric generation and reduce reliance on thermal power, benefiting operating performance. In Peru, we believe Fenix is more exposed to potential El Niño impacts on a stand-alone basis, as stronger hydrology may lead to higher hydro generation within the system, potentially lowering thermal dispatch and spot price exposure. However, this risk is offset by Fenix's efficient cost position, strategic role in the Peruvian power market, and relatively limited direct exposure to the severe flooding typically associated with Coastal El Niño events. On a consolidated basis, we believe Colbun's geographic and asset diversification serve to offset any material negative impact in Peru.

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 roughly 90% of Minera's consolidated EBITDA in 2025. Dividends from Minera's minority investments represented the remaining 10% of its EBITDA. Additionally, we don't view the ownership as a ratings constraint.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2026, Colbun's capital structure consisted of about $2.4 billion of senior unsecured gross debt that it and its subsidiary, Fenix, issued. Debt includes Colbun's four international issuances of $1.8 billion, which we rate ($234 million maturing in 2027, $500 million in 2030, $600 million in 2032, and $500 million 2035); $200 million in bank debt due 2029; Fenix's amortizing notes of $200 million due 2030; and close to $55 million in working capital debt.

Analytical conclusions

Given that debt at the subsidiary's total debt is comfortably below our trigger of 50% to consider the existence of structural subordination of Colbun's financial debt regarding its subsidiaries, we conclude that unsecured creditors of Colbun's debt at the holding level are not in significant disadvantage due to structural subordination. We rate Colbun's notes issued at the holding level 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**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Strong (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Tear Sheet: Fenix Power Peru S.A., April 14, 2026
- Bulletin: Fenix Power Peru S.A.'s Prepayment Of Its 2027 Bond Results In Improved Liquidity, Jan. 5, 2026
- Colbun S.A.'s New Senior Unsecured Notes Of Up To $600 Million Rated 'BBB', Aug. 28, 2025
- Tear Sheet: Colbun, July 24, 2025

Ratings Detail (as of August 05, 2026)*	
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.