FitchRatings

Corporates
Electric-Corporate
Chile

Colbun S.A.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Foreign Currency IDR	BBB+	Stable	Affirmed Aug. 4, 2021
Long-Term Local Currency IDR	BBB+	Stable	Affirmed Aug. 4, 2021

Click here for full list of ratings

Colbun S.A.'s ratings reflect Fitch Ratings' view that the company continues to strengthen its credit profile based on a strong capital structure. Leverage is expected around 2.5x in 2021–2024 along with an improved contracted position and an average life of power purchase agreements (PPAs) of seven years. The Positive Outlook on the National Scale Ratings is driven by Fitch's expectations Colbun will maintain strong and predictable cash flows, combined with a renewable expansion plan, without incurring additional debt adding to a more diversified asset base portfolio.

Key Rating Drivers

Strong Credit Metrics: Fitch anticipates annual EBITDA generation to be about USD565 million in 2021, returning to USD636 million per year in 2022–2024 and total debt/EBITDA to remain around 2.5x over the rating horizon, assuming no additional debt. Cash flow generation is due to efficient hydroelectric generation, complemented by renewable energy and efficient thermal units, and an increase in energy sales to new unregulated clients, lowering exposure to spot prices. The company reported total debt/EBITDA of 2.4x, as of June 2021, in line with the 2.5x in December 2020.

Strong Contractual Position: Colbun has long-term PPAs with an average life of seven years, migrating toward unregulated customers since 2022. Fitch expects the company to maintain a significant portion of capacity contracted in the long term, after securing a PPA with BHP Group Plc (A/Stable) to supply an average of 3.0TWh/year for 10 years, starting January 2022. Colbun subscribed 3.6TWh/year with unregulated customers. This segment of customers will represent about 70% of the contracted profile by YE 2022. Fitch estimates annual energy sales in Chile (A–/Stable) around 13TWh in 2022–2024.

Exposure to Hydrological Risk: In the event of a severe drought, the company may need to generate power with thermal assets to fulfill contracts. Historically, hydro generation represented between 45% to 50% of Colbun's total generation. Fitch estimates about 5,000GWh in 2021 for hydro generation.

The company's conservative commercial policy is based on a long-term balance contracted structure for its hydro units, complemented by efficient thermal units under different scenarios. Colbun's contracted position could be met by the company's efficient natural gas units or by purchases on the spot market, with a negative effect on margins if the company faces a dry hydrological scenario.

Limited Commodity Price Risk: The company mitigates exposure to fuel price risk by entering into contracts that include adequate price indexation mechanisms. These contracts consider a significant portion of fuel price variations. Fitch views positively Colbun's long-term liquefied natural gas (LNG) supply agreement with Empresa Nacional del Petroleo (ENAP; A–/Stable) until 2031, when regasification capacity will be reassessed.

Colbun subscribed medium- and short-term LNG supply agreements with ENAP and Aprovisionadora Global de Energia S.A. (Agesa), a subsidiary of Naturgy Energy Group, S.A. (BBB/Stable), adding flexibility to its energy supply. Similar to other generation companies in the country, Colbun was able to import natural gas from Argentina at the spot markets, subject to the condition of interruptible supply upon confirmation.

Renewable Expansion in Chile: Fitch believes Colbun's investment plan in Chile is manageable and future investments will be financed through the company's cash flow generation, combined with available cash without requiring additional debt. Colbun's expansion plan in Chile is concentrated in solar and wind projects. The company has a pipeline of projects of 3,100MW of installed capacity currently developing. Fitch estimates total capex will reach USD550 million during 2021, peaking to USD740 million in 2022 and returning to USD575 million in 2023.

Applicable Criteria

Chilean Equity Rating Criteria (August 2021)
Sector Navigators - Addendum to the Corporate Rating Criteria (April 2021)
Corporate Rating Criteria (December 2020)
National Scale Rating Criteria (December 2020)

Related Research

Chile GenCos Continued to Experience Wide Cost Differentials in 2020 (June 2021)
Early Coal Phase Out Legislation Puts Pressure on Some Chilean Gencos (June 2021)

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Strong Support to Subsidiary: Fenix Power Peru S.A.'s (BBB−/Stable) ratings are two notches below those of controlling shareholder, Colbun. The parent-subsidiary linkage is strong, reflecting Fitch's expectations shareholders will continue to financially support the company while it faces material cash flow headwinds, impairing its capital structure.

The cash support agreement is akin to a committed line of credit from Colbun with support from Blue Bolt A 2015 Limited, a wholly-owned subsidiary of Abu Dhabi Investment Authority, and SIGMA Asset Management. The subordinate loan matures on Sept. 20, 2028, one year after the note's maturity. Fenix represented only 6.6% of Colbun's 2020 Fitch-adjusted EBITDA.

Transmission Deconsolidation: Colbun sold transmission assets for approximately USD1.295 billion. The divesture will not have a material effect on the company's leverage profile, as the business represented less than 10% of Colbun's consolidated EBITDA. The transmission business has no financial debt. Fitch estimates, the company's total debt/EBITDA will comfortably remain below its downgrade trigger of 3.0x. Our base case assumes a majority of proceeds from the sale will likely be used to pay an extraordinary dividend without affecting Colbun's manageable growth agenda.

Mitigated Effect from Price Stabilization: During 1H21, Colbun sold to Chile Electricity PEC SPA, a bankruptcy remote SPV, around USD56 million in related accounts receivables under the price stabilization mechanism set in place for regulated customers.

This amount represents about 65% of the total balance Colbun can accumulate during the term of the mechanism, or until the mechanism reaches a cap of USD1.35 billion, as a whole systemic stabilization, which, once sold, is totally nonrecourse to Colbun.

Financial Summary

(USD 000 as of Dec. 31)	2019	2020	2021F	2022F
Gross Revenue	1,487,387	1,348,868	1,386,425	1,467,822
Operating EBITDAR Margin (%)	45.4	49.0	40.7	43.2
Operating EBITDAR	675,011	660,676	564,130	634,060
FFO Fixed-Charge Coverage (x)	6.7	7.1	6.7	5.5
Total Debt with Equity Credit/Operating EBITDA (x)	2.2	2.5	2.9	2.6

F – Forecast.
Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

Compared with peers, Colbun's business profile and solid contractual position is similar to Engie Energia Chile S.A. (BBB+/Stable) and AES Andes S.A. (BBB−/Stable), with PPAs having an average life of 11 and 10 years, respectively. Relative to peers, Colbun has a generation mix evenly distributed between hydro and thermal, similar to Enel Generacion Chile S.A. (A−/Stable).

Both companies have adequate indexing mechanisms that closely match their generation mix and contracts, which mitigates the exposure to fuel price volatility and lowers business risk consistent with the rating category. AES Andes and Engie are mainly concentrated on coal-based units and present a lower exposure to hydroelectricity generation in Chile.

Enel Chile S.A. (A−/Stable) presents a slightly lower business risk among peers, due to the integration provided by the generation business under Enel Generacion Chile, the renewable business from Enel Green Power (EGP) and distribution business under Enel Distribution. In terms of credits metrics, Colbun's credit profile is similar to Engie Energia Chile with leverage between 2.0x and 2.5x measured as total debt/EBITDA. While Engie Energia Chile successfully concluded an aggressive expansion phase, Colbun's strong EBITDA generation is solid for the rating category.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Andes S.A.	BBB-/Sta	a+	bbb	bbb+	bbb	bbb	bbb	bbb-	bbb-	bbb-
Colbun S.A.	BBB+/Sta	a+	bbb+	bbb+	bbb+	a-	bbb	bbb	bbb+	bbb+
Empresa Electrica Cochrane SpA	BBB-/Sta	a+	bbb	a-	bb+	bbb	bbb+	bbb	bb	bbb
Enel Chile S.A.	A-/Sta	a+	bbb+	a-	bbb+	a-	bbb	bbb	a-	bbb+
Enel Generacion Chile S.A.	A-/Sta	a+	bbb+	bbb+	bbb+	a-	bbb	bbb	a-	bbb+
Engie Energia Chile S.A.	BBB+/Sta	a+	bbb+	bbb+	bbb+	bbb	bbb	bbb	a-	bbb+
Guacolda Energia SpA	B/Stable	a	bbb	b	bb-	b+	bb	b+	b	bb

Source: Fitch Ratings. Importance: Higher / Moderate / Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenues Predictability	Market and Competitive Position	Asset Base and Operations	Counterparty and Commodity Exposure	Profitability	Financial Structure	Financial Flexibility
AES Andes S.A.	BBB-/Sta	5.0	1.0	2.0	1.0	1.0	1.0	0.0	0.0	0.0
Colbun S.A.	BBB+/Sta	4.0	1.0	1.0	1.0	2.0	0.0	0.0	1.0	1.0
Empresa Electrica Cochrane SpA	BBB-/Sta	5.0	1.0	3.0	-1.0	1.0	2.0	1.0	-2.0	1.0
Enel Chile S.A.	A-/Sta	2.0	-1.0	0.0	-1.0	0.0	-2.0	-2.0	0.0	-1.0
Enel Generacion Chile S.A.	A-/Sta	2.0	-1.0	-1.0	-1.0	0.0	-2.0	-2.0	0.0	-1.0
Engie Energia Chile S.A.	BBB+/Sta	3.0	0.0	0.0	0.0	-1.0	-1.0	-1.0	1.0	0.0
Guacolda Energia SpA	B/Stable	17.0	14.0	8.0	10.0	9.0	11.0	9.0	8.0	11.0

Source: Fitch Ratings. Worse positioned than IDR / In line with IDR / Better positioned than IDR

Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Although unlikely in the short term, a positive rating action could be considered if the company has the ability to maintain gross debt/EBITDA consistently below 1.5x, maintaining robust liquidity indicators consistent with the past. Colbun's ability to maintain a long-term contracted position will be view positively.
- A positive action on the National Scale Rating could be considered if credit metrics were to improve steadily with gross debt/EBITDA consistently below 2.0x.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A change in Colbun's commercial policy resulting in an imbalanced long-term contracted position.
- A material and sustained deterioration of credit metrics reflected in total consolidated debt/EBITDA above 3.0x.
- Inability to re-contract a significant portion of expiring contracts.
- Debt-financed acquisitions that would deteriorate the company's credit metrics.
- Pressure from shareholders that could result in a significant increase in dividend payments beyond the company's plan.

Liquidity and Debt Structure

Strong Liquidity: Colbun has a solid liquidity position, with approximately USD757 million of cash and cash equivalents, as of June 30, 2021, compared with USD99 million of short-term debt. Fitch expects it will maintain a strong liquidity position, driven by cash generation. Liquidity is further buoyed by uncommitted credit lines of approximately USD150 million and two bond lines registered in the local market for a total of UF7.0 million.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of Environmental, Social and Governance (ESG) Credit Relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

(USD 000)	**12/31/20**	**6/30/21**
Total Cash and Cash Equivalents	254,107	530,704
Short-Term Investments	713,293	226,067
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	**967,400**	**756,771**
Availability Under Committed Lines of Credit	0	0
Total Liquidity	**967,400**	**756,771**
LTM EBITDA After Associates and Minorities	669,822	669,347
LTM FCF	99,560	(115,701)

Source: Fitch Ratings, Fitch Solutions, Colbun S.A.

Scheduled Debt Maturities

(USD 000)	**12/31/20**
2021	103,108
2022	53,631
2023	54,457
2024	206,717
2025	42,537
Thereafter	1,201,924
Total	**1,662,374**

Source: Fitch Ratings, Fitch Solutions, Colbun S.A.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer Include

- Contracted energy sales in Chile for around 13,000GWh during 2022–2024;
- Hydro production in Chile at 5,000GWh in 2021, returning to 5,500GWh/year in 2022–2024;
- Remaining portion evenly distributed between coal and natural gas;
- Contracted capacity averaging 474MW until 2024 in Peru;
- Sale of the Transmission business for USD1.3 billion is expected to close during 2H21;
- Total capex reaching USD550 million during 2021, peaking to USD740 million in 2022, returning to USD575 million during 2023;
- A 50% dividend pay-out ratio during 2021–2024.

Financial Data

	Historical		Forecast		
(USD 000 as of Dec. 31)	2019	2020	2021	2022	2023
Summary Income Statement					
Gross Revenue	1,487,387	1,348,868	1,386,425	1,467,822	1,344,766
Revenue Growth (%)	(5.3)	(9.3)	2.8	5.9	(8.4)
Operating EBITDA (Before Income from Associates)	675,011	660,676	564,130	634,060	620,898
Operating EBITDA Margin (%)	45.4	49.0	40.7	43.2	46.2
Operating EBITDAR	675,011	660,676	564,130	634,060	620,898
Operating EBITDAR Margin (%)	45.4	49.0	40.7	43.2	46.2
Operating EBIT	437,017	452,023	325,892	374,131	347,401
Operating EBIT Margin (%)	29.4	33.5	23.5	25.5	25.8
Gross Interest Expense	(67,931)	(65,745)	(63,333)	(62,586)	(62,082)
Pretax Income (Including Associate Income/Loss)	246,232	132,219	269,700	315,116	288,925
Summary Balance Sheet					
Readily Available Cash and Equivalents	797,421	967,400	736,080	214,452	128,658
Total Debt with Equity Credit	1,536,628	1,662,374	1,662,374	1,662,374	1,662,374
Total Adjusted Debt with Equity Credit	1,536,628	1,662,374	1,662,374	1,662,374	1,662,374
Net Debt	739,207	694,974	926,294	1,447,922	1,533,716
Summary Cash Flow Statement					
Operating EBITDA	675,011	660,676	564,130	634,060	620,898
Cash Interest Paid	(80,753)	(72,189)	(63,333)	(62,586)	(62,082)
Cash Tax	(35,242)	(99,921)	(150,608)	(300,010)	(78,010)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	13,951	9,146	10,000	10,000	10,000
Other Items Before FFO	(111,895)	(54,771)	0	0	0
FFO	482,577	453,142	367,330	285,034	494,412
FFO Margin (%)	32.4	33.6	26.5	19.4	36.8
Change in Working Capital	(8,073)	293	(2,837)	(6,148)	9,294
CFO (Fitch Defined)	474,504	453,435	364,493	278,886	503,707
Total Non-Operating/Nonrecurring Cash Flow	0	0			
Capex	(87,784)	(112,556)			
Capital Intensity (Capex/Revenue) (%)	5.9	8.3			
Common Dividends	(346,264)	(241,319)			
FCF	40,456	99,560			
Net Acquisitions and Divestitures	0	0			
Other Investing and Financing Cash Flow Items	134,619	(283,667)	(410,012)	0	0
Net Debt Proceeds	(54,852)	120,405	0	0	0
Net Equity Proceeds	0	0	0	0	0
Total Change in Cash	120,223	(63,702)	(231,320)	(521,628)	(85,794)
Leverage Ratios (x)					
Total Net Debt with Equity Credit/Operating EBITDA	1.1	1.0	1.6	2.2	2.4
Total Adjusted Debt/Operating EBITDAR	2.2	2.5	2.9	2.6	2.6
Total Adjusted Net Debt/Operating EBITDAR	1.1	1.0	1.6	2.2	2.4
Total Debt with Equity Credit/Operating EBITDA	2.2	2.5	2.9	2.6	2.6
FFO-Adjusted Leverage	2.8	3.2	3.9	4.8	3.0
FFO-Adjusted Net Leverage	1.4	1.3	2.2	4.2	2.8
FFO Leverage	2.8	3.2	3.9	4.8	3.0

	Historical		Forecast		
(USD 000 as of Dec. 31)	**2019**	**2020**	**2021**	**2022**	**2023**
FFO Net Leverage	1.4	1.3	2.2	4.2	2.8
Calculations for Forecast Publication					
Capex, Dividends, Acquisitions and Other Items Before FCF	(434,048)	(353,875)	(185,801)	(800,514)	(589,501)
FCF After Acquisitions and Divestitures	40,456	99,560	178,692	(521,628)	(85,794)
FCF Margin (After Net Acquisitions) (%)	2.7	7.4	12.9	(35.5)	(6.4)
Coverage Ratios (x)					
FFO Interest Coverage	6.7	7.1	6.7	5.5	8.9
FFO Fixed-Charge Coverage	6.7	7.1	6.7	5.5	8.9
Operating EBITDAR/Interest Paid + Rents	8.5	9.3	9.1	10.3	10.2
Operating EBITDA/Interest Paid	8.5	9.3	9.1	10.3	10.2
Additional Metrics (%)					
CFO-Capex/Total Debt with Equity Credit	25.2	20.5	(11.2)	(27.8)	(4.3)
CFO-Capex/Total Net Debt with Equity Credit	52.3	49.0	(20.0)	(31.9)	(4.6)

CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, Colbun S.A.

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colors = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Colbun S.A.

Corporates Ratings Navigator
Global Electricity Generation

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

a	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a-	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb+	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bbb-			

Revenues Visibility

a	Contracted Position	a	Balanced position under long term PPAs or incentives (typically more than 7 year average remaining life).
a-	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb+	System / Capacity Payments	a	Well established and transparent market pricing structure with minimal political interference providing long-term price visibility for power generators.
bbb	Degree of Supply Integration	bbb	Balanced supply integration with strong retail position contributing to cash-flow stability and predictability.
bbb-	Resource Predictability	bbb	Stable and predictable capacity factor.

Market Position

a	Supply/Demand Dynamics	a	Beneficial outlook for prices. Adequate or tight reserve margins and limited capacity expansion prospects in market over the medium to long-term.
a-	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb+	Relative Size and Scale	bbb	Large scale operations with diverse generation asset base or company supplies more than 20% of electricity to the systems where it operates or strong competitive position in a localized market.
bbb			
bbb-			

Asset Base and Operations

a+	Asset Quality and Diversity	a	High-quality assets with large diversification by geography and/or generation source.
a	Exposure to Environmental Regulations	a	No exposure to environmental regulations. Energy generation mostly from clean sources and low carbon exposure.
a-	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb+			
bbb			

Commodity Exposure

a-	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
bbb+	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb	Hedging Strategy	bbb	Portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb-			
bb+			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to slightly negative FCF across the investment cycle.
bbb+	Cash Flow Predictability	bbb	Stability and predictability cash flow in line with peers.
bbb			
bbb-			
bb+			

Financial Structure

a	FFO Leverage	bbb	3.5x
a-	FFO Net Leverage	bbb	3.0x
bbb+	Total Debt With Equity Credit/Operating EBITDA	a	<1.8x
bbb			
bbb-			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+	FFO Interest Coverage	bbb	4.5x
bbb	DSCR	bbb	Expected average DSCR of >1.8 for high merchant exposure or >1.3 for amortizing debt with well contracted business profile.
bbb-	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging in place. Debt and cash flows well-matched.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Overall ESG

Colbun S.A. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy and serve load
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Colbun S.A.

Corporates Ratings Navigator
Global Electricity Generation

Credit-Relevant ESG Derivation

Colbun S.A. has 12 ESG potential rating drivers

- Colbun S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Colbun S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- Colbun S.A. has exposure to waste & impact management risk but this has very low impact on the rating.
- Colbun S.A. has exposure to extreme weather events but this has very low impact on the rating.
- Colbun S.A. has exposure to access/affordability risk but this has very low impact on the rating.
- Colbun S.A. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale: 5, 4, 3, 2, 1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

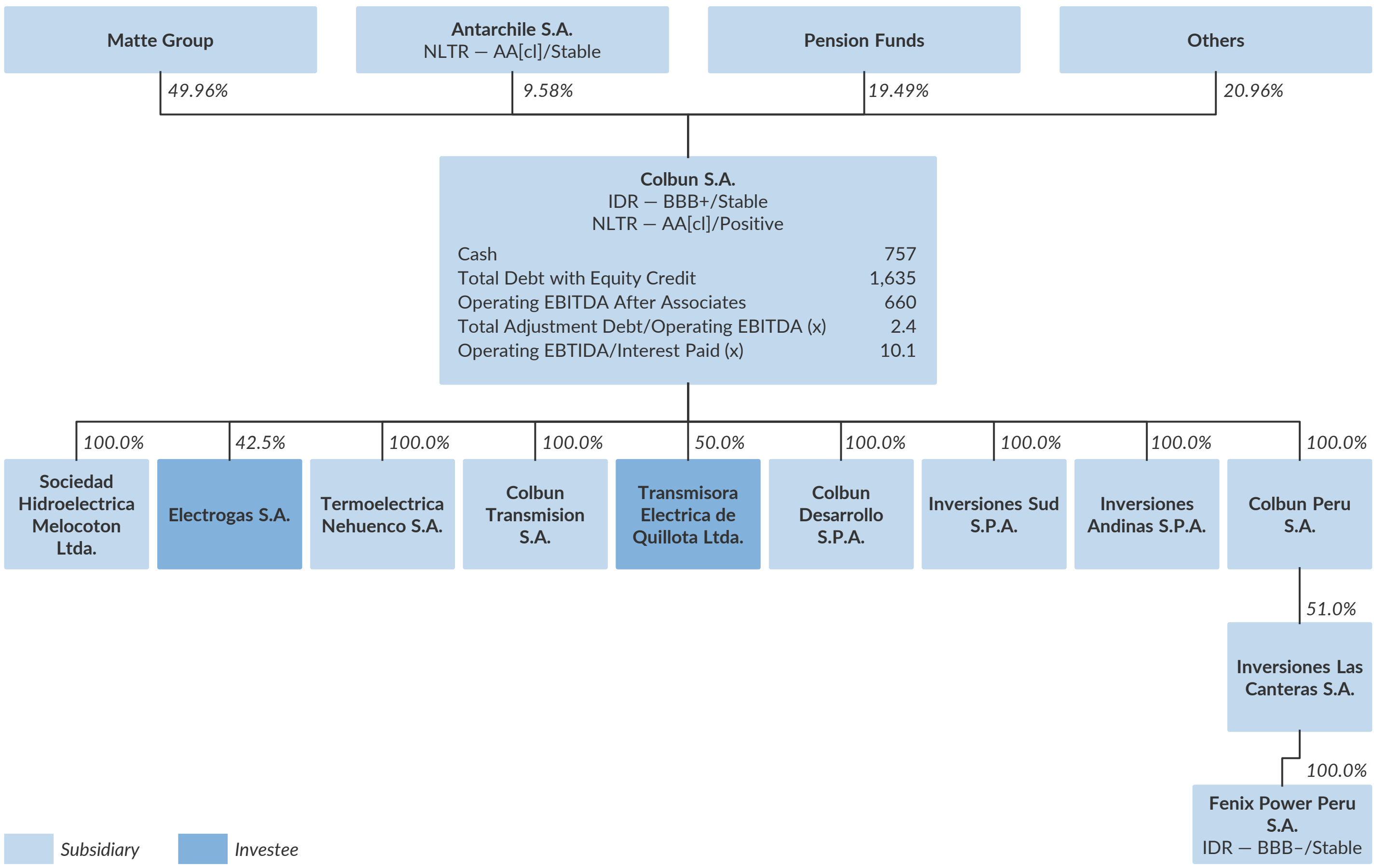
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Colbun S.A.
(USD Mil. as of June 30, 2021)



IDR – Issuer Default Ratings. NLTR – National Long-Term Rating.
Source: Fitch Ratings, Fitch Solutions, Colbun S.A.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USD Mil.)	Operating EBITDAR Margin (%)	FFO Margin (%)	FFO Fixed-Charge Coverage (x)	FFO Adjusted Leverage (x)
Colbun S.A.	BBB+						
	BBB+	2020	1,349	49.0	33.6	7.1	3.2
	BBB	2019	1,487	45.4	32.4	6.7	2.8
	BBB	2018	1,571	43.5	30.1	7.1	3.0
Engie Energia Chile S.A.	BBB+						
	BBB+	2020	1,352	32.8	12.4	4.0	4.0
	BBB	2019	1,454	36.0	21.4	15.4	2.5
	BBB	2018	1,275	29.5	25.6	111.8	2.6
AES Andes S.A.	BBB–						
	BBB–	2020	2,507	41.6	35.7	5.6	3.2
	BBB–	2019	2,412	34.2	20.9	4.0	5.5
	BBB–	2018	2,647	33.5	21.0	4.3	4.7
Enel Chile S.A.	A–						
	A–	2020	3,264	34.9	15.0	3.8	5.4
	AA(cl)	2019	3,946	38.0	22.0	5.5	3.6
	AA(cl)	2018	3,834	36.5	24.6	5.9	3.6
Enel Generacion Chile S.A.	A–						
	A–	2020	1,881	36.7	21.6	6.4	2.1
	BBB+	2019	2,333	40.8	26.7	9.4	1.9
	BBB+	2018	2,374	38.6	34.8	11.1	1.7

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

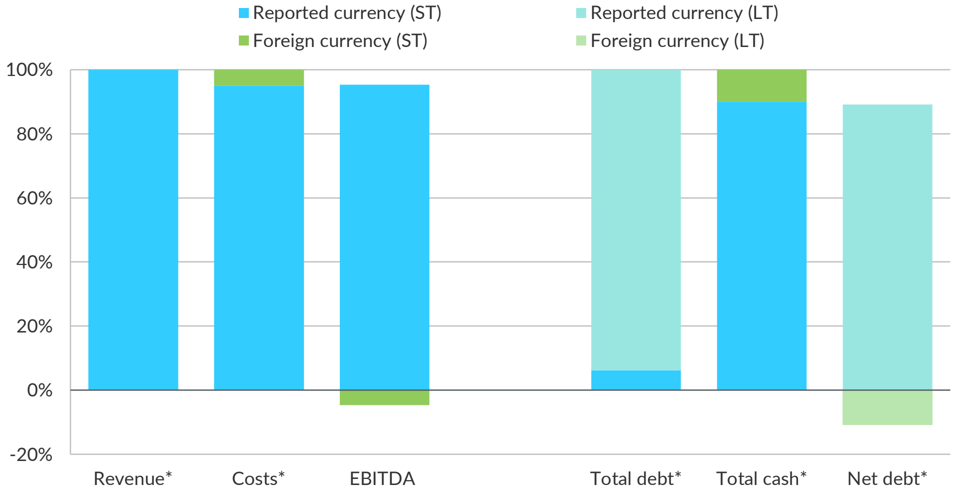
(USD 000 as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
Income Statement Summary					
Revenue		1,348,868	—	—	1,348,868
Operating EBITDAR		682,505	(21,829)	(21,829)	660,676
Operating EBITDAR After Associates and Minorities	(a)	691,651	(21,829)	(21,829)	669,822
Operating Lease Expense	(b)	0	—	—	0
Operating EBITDA	(c)	682,505	(21,829)	(21,829)	660,676
Operating EBITDA After Associates and Minorities	(d) = (a-b)	691,651	(21,829)	(21,829)	669,822
Operating EBIT	(e)	461,100	(9,077)	(9,077)	452,023
Debt and Cash Summary					
Total Debt with Equity Credit	(f)	1,796,273	(133,899)	(133,899)	1,662,374
Lease-Equivalent Debt	(g)	0	—	—	0
Other Off-Balance-Sheet Debt	(h)	0	—	—	0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	1,796,273	(133,899)	(133,899)	1,662,374
Readily Available Cash and Equivalents	(j)	967,400	—	—	967,400
Not Readily Available Cash and Equivalents		0	—	—	0
Cash Flow Summary					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	691,651	(21,829)	(21,829)	669,822
Preferred Dividends (Paid)	(k)	0	—	—	0
Interest Received	(l)	10,201	—	—	10,201
Interest (Paid)	(m)	(81,266)	9,077	9,077	(72,189)
Cash Tax (Paid)		(99,921)	—	—	(99,921)
Other Items Before FFO		(76,600)	21,829	21,829	(54,771)
FFO	(n)	444,065	9,077	9,077	453,142
Change in Working Capital (Fitch-Defined)		293	—	—	293
CFO	(o)	444,358	9,077	9,077	453,435
Non-Operating/Nonrecurring Cash Flow		0	—	—	0
Capex	(p)	(112,556)	—	—	(112,556)
Common Dividends (Paid)		(241,319)	—	—	(241,319)
FCF		90,483	9,077	9,077	99,560
Gross Leverage (x)					
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	2.6	—	—	2.5
FFO Adjusted Leverage	(i/(n-m-l-k+b))	3.5	—	—	3.2
FFO Leverage	(i-g)/(n-m-l-k)	3.5	—	—	3.2
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	2.6	—	—	2.5
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	18.5	—	—	20.5
Net Leverage (x)					
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	1.2	—	—	1.0
FFO-Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	1.6	—	—	1.3
FFO Net Leverage	(i-g-j)/(n-m-l-k)	1.6	—	—	1.3
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	1.2	—	—	1.0
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	40.0	—	—	49.0
Coverage (x)					
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	8.5	—	—	9.3
Operating EBITDA/Interest Paid[a]	d/(-m)	8.5	—	—	9.3
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	6.3	—	—	7.1
FFO Interest Coverage	(n-l-m-k)/(-m-k)	6.3	—	—	7.1

[a]EBITDA/R after dividends to associates and minorities. CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, Colbun S.A.

FX Screener

Colbun's reported currency is in U.S. dollars. The company has limited exposure to FX fluctuations, while revenues are completely U.S. dollar-denominated or U.S. dollar-indexed, main generation costs, such as diesel, natural gas and coal purchases, are linked to the U.S. dollar. Colbun's contracts include indexation clauses for currencies other than U.S. dollar. The company maintains nearly 90% of cash in U.S. dollars, as of June 2021, including hedge derivatives, while almost all debt is almost entirely U.S. dollar-denominated, using financial derivatives to further limit FX exposure. Fitch estimates a 50% depreciation of the U.S. dollar would have a minor effect on Colbun's gross leverage of –0.1x.

Fitch FX Screener
(Colbun S.A. — BBB+/Stable, Dec.-20 USD 000)



* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch Ratings, Fitch Solutions.

National Equity Rating

Fitch rates Colbun's National Equity at Primera Clase Nivel 1(cl) based on the company's solid solvency position and consolidated stock history. Colbun had a market capitalization of USD2.6 billion, as of July 2021, with an average volume traded in the last month of USD2.3 million. The stock is part of the Indice de Precio Selectivo de Acciones (ISPA) and historically maintained a free float of 40.46% between pension funds and other shareholders.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.