

28th September 2023

CLISA S.A.

Compañía Latinoamericana de Infraestructura y Servicios S.A. (CLISA), is the main subsidiary of the Roggio Group, a conglomerate of infrastructure management and development companies with over 115 years of experience. The company belongs to the fourth generation of the family group that founded it in 1908 and it has a fully professionalized management. CLISA operates in Argentina, Peru, Brazil, Uruguay, Paraguay, Chile, Panama, Bolivia, Ecuador, and Mexico.

Currently, CLISA has four main segments: Construction, Environmental Engineering, Transportation, and Drinking Water Services. These segments are organized and consolidated through 40 subsidiaries, which are currently involved in 21 Temporary Work Unions (UTEs). This organizational structure provides CLISA with the flexibility needed to adapt to the challenges that each project requires, enabling it to submit more competitive proposals in both public and private tenders.

Construction

CLISA ranks among the leading civil engineering companies at the national level and has operations in various Latin American countries. Its projects are obtained through public bids or negotiations with private clients. Currently, 38% of its construction projects belong to the Drinking Water Services segment obtained through public bids and depending on each governmental portfolio. Furthermore, the Environmental Engineering and Transportation segments also complement construction.

CLISA has been present in Peru for around 70 years through its subsidiary Haug S.A., is engaged in construction, engineering and assembly for the mining, hydrocarbon and metal-mechanical manufacturing sectors. In Paraguay, with 49 years of experience, it also consolidates its presence in both sectors. In this regard, while in 2017 Argentina represented 82% of the project portfolio, it currently

represents 63%. CLISA managed to gain a greater market share, reaching 22% in Peru and 13% in Paraguay.

Construction services usually are invoiced and paid on a monthly basis, according to the progress of the projects. Additionally, local legislation allows for price adjustments in contracts when costs increase by more than 5%. The Construction segment is one of the most significant contributors to CLISA's foreign exchange earnings, with 40% of its revenue in foreign currency, while the remaining 60% adjusts to inflation.

The table below shows the most notable completed and ongoing projects:

Outstanding Works	Infrastructure	Status	Location
Arroyo Vega Storm Drainage System	Hydraulic	Completed	CABA
Mitre Railway Elevation	Railway	Completed	CABA
Cordoba City Bypass	Road	Completed	Córdoba
Rosario - Victoria Bridge	Road	Completed	Santa Fe
9 de Julio Norte Highway	Road	Completed	CABA
Córdoba - Rosario Highway	Road	Completed	Córdoba
West Access	Road	Completed	Bs As Prov.
Paso de Jama Pass	Road	Completed	Jujuy
Extension of B and E Buenos Aires Metro Lines	Transportation	Completed	CABA
Caleta Paula Port	Transportation	Completed	Santa Cruz
Pichi Picún Leufú Hydroelectric Dam	Energy	Completed	Neu. and R. N.
Piedras Moras Hydroelectric Power Plant	Energy	Completed	Córdoba
Recreo Power Interconnection	Energy	Completed	La Rioja
Aduc Canal Pehuenche Hydroelectric Power Plant	Energy	Completed	Chile
Hydroelectric Power Plant and Ullum Transfer Station	Energy	Completed	San Juan
Sewage Collector and Lift Stations	Sanitation	Completed	Córdoba
Paraná de Las Palmas Wastewater Treatment Plant	Sanitation	Completed	Bs As Prov.
Plant. Sanitation Amb. Maldonado	Sanitation	Completed	Uruguay
Hidra Total Austral Project	Oil and Gas	Completed	Tierra del F.
Peak Shaving Plant	Oil and Gas	Completed	Paraguay
Cabo Negro Gas Pipeline	Oil and Gas	Completed	Chile
Nuclear Fuel Plant	Industry	Completed	Prov. Bs As
Buenos Aires Sheraton Hotel	Architecture	Completed	CABA
Córdoba Stadium	Architecture	Completed	Córdoba
Santiago de Chile International Airport	Architecture	Completed	Chile
Embassy of Argentina in Paraguay	Architecture	Completed	Paraguay
Hotel CONRAD Punta del Este	Architecture	Completed	Uruguay
Telecom Corporate Building	Architecture	Completed	CABA
Telecommunications Complex	Architecture	Completed	Uruguay

Source: Sekoia Research based on Institutional presentation.

Environmental Engineering

CLISA is the leading national company and the only fully integrated environmental engineering company. The company covers urban waste management, treatment of industrial and commercial waste, and the construction of disposal and valorization spaces.

In Argentina, it collects over 650,000 tons of garbage annually, serves more than 1.7 million people, treats 1,100 tons, and recovers 1,600 tons of recyclable

materials per year. Since the start of its operations in 1986, CLISA has built over 300 hectares of infrastructure and treated more than 114 million tons of waste.

Revenues are determined by the size of the serviced area and the type of service provided. Contracts have monthly payments and contain price adjustment clauses that activate in case of changes between 5% and 7% in cost structure.

Through its subsidiary Tacsan, CLISA constructed and operates the North III landfill in the Buenos Aires province, which belongs to CEAMSE¹. The company developed five more sites: Neuquén, Mar del Plata, Mendoza, Carlos Paz, and Jujuy. In these cases, revenues are based on the tons of waste eliminated.

Regarding waste valorization, CLISA designed and built South America's first biological treatment plant. It has a processing capacity of 1,100 tons per day (approximately 25% of the waste generated by The City of Buenos Aires "CABA"). Revenue sources include fees for each ton of waste not deposited in the landfill and the sale of recyclable materials. Additionally, the company built and operates one of the three largest biogas generation plants in South America. The plant uses what is collected in the North III landfill and generates revenue in dollars through energy generation.

Lastly, in the Environmental Engineering segment, CLISA offers integrated waste management solutions to industrial and commercial clients. It provides industrial facility cleaning, green area maintenance, and more. CLISA serves both local governments, including CABA, San Isidro, Santa Fe city, Neuquén city, and renowned companies such as Peugeot-Citroën, Volkswagen, Renault, General Motors, IVECO, Ford, Fate, Lockheed Aircraft, Pirelli, YPF, Livent, Quilmes, Banco República de Uruguay, among others.

¹ Coordinación Ecológica Área Metropolitana Sociedad del Estado (CEAMSE) created to carry out the comprehensive

Transportation

The company operates and maintains the Metro of the City of Buenos Aires since 1994, initially through Metrovías and then, since 2021, through Emova. The new concession, for a term of 12 years extendable for 3 years, operates 90 stations and transports 260 million passengers annually.

Revenues come directly from the fare paid by passengers and indirectly paid by CABA on the basis of a price agreed upon in a bidding process, adjusted for inflation and according to the number of CKC traveled. The CKC index is a measure of rail transportation that represents the distance in kilometers traveled by the sum of cars carrying passengers.

Moreover, CLISA also operates the Urquiza Railway concession since 1994, serving over 20 million passengers at 23 stations. The tariff received for this service is directly tied to the ticket price paid by users and a monthly subsidy received from the government to cover operating costs. Revenues adjust based on a 6% increase above operating cost changes.

In Brazil, CLISA participated in the implementation and thereafter the operation of services and maintenance of the light rail in Rio de Janeiro. It's a network of three lines with a length of 15 km, 31 stops, 13 rectifier substations, and a maintenance and parking center. The train has a transportation capacity for over 10 million users annually. CLISA also provides technical assistance in the construction, implementation, operation, and management processes of San Pablo's Line 18, a 15 km monorail with a Driveless system and demand from 350,000 daily users.

Drinking Water Service

Through Aguas Cordobesas, CLISA has been responsible for the treatment, purification,

management of solid urban waste in the AMBA and is equally dependent on the City of Buenos Aires and the Province of Buenos Aires administrations.

distribution, and domestic, commercial, and industrial marketing of drinking water in the city of Córdoba since 1997. The 30-year concession, ending in 2027, includes 2 treatment plants with a total capacity of 7.5 m³/s and 26 pressure stations.

Currently, Aguas Cordobesas serves more than 1.5 million people in a network of 4,800 km. This has increased by over 2,300 km since the beginning. Revenues come from a fixed sum that adjusts when costs increase more than 8%, or if more than 6 months have passed since the last review.

Annual Sales

As usual in our research reports, we analyze the financial statements of Argentine companies in dollars using the average official exchange rate or the closing rate, as appropriate. Furthermore, due to the strong distortion of the local economy, where in recent years the devaluation rate has lagged well behind the inflation rate, comparisons will be made in local currency adjusted for inflation to provide greater clarity about the company's financial situation.

The majority of CLISA's income is distributed among the Environmental Engineering, Construction, and Transportation segments. Nevertheless, the sectors that contribute the most to the operating cash flow are the first two.

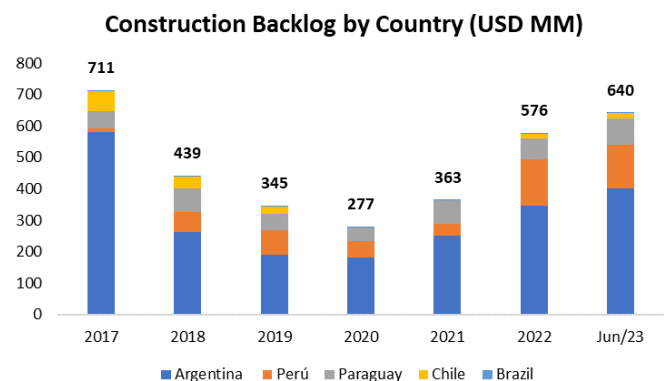
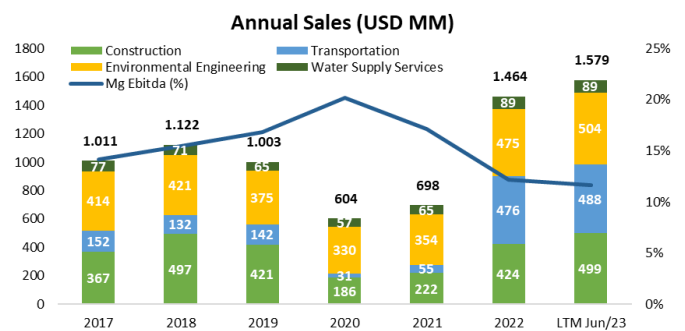
Contribution by Sector LTM (USD MM)	Revenues	EBITDA
Environmental Engineering	32%	64%
Construction	32%	35%
Water Supply Services	6%	2%
Transportation	31%	2%

Source: Sekoia Research based on balance sheet data.

Due to the significant dependence on income from the construction sector, the company suffered greatly from the sharp economic decline since 2018. Budgetary constraints at the national, provincial, and municipal levels have reduced the company's projects, a situation exacerbated by the almost total suspension of activity during the pandemic and

quarantine during 2020/21 affecting also the local transport segment.

In this regard, from the peaks of 2017/18, the portfolio of public and private projects contracted by 61%, and the company's total revenue dropped to USD 604 million at the end of 2020. Subsequently, due to the recovery of engineering projects, both local and international, revenue increased by 162% compared to that minimum. In contrast, revenues from essential services remained constant.



Source: Sekoia Research based on balance sheet data.

Recent Results

Revenue for the 6M23 amounted to USD 731 million, representing a 31% increase compared to the same period last year. It is noteworthy that, despite the exchange rate lag, the increase also occurred in real terms, with a 15% increase in the same comparison. The Construction and Environmental Engineering segments drove sales, with growth rates of 69% and 24% in dollars, respectively, and 48% and 8% in real terms.

On the other hand, financial income fell to USD 18 million. Most notably, financial expenses increased by 87% to USD 73 million, mainly due interest payments tied to the inflation rate.

EBITDA increased by 31% in 6M23 compared to the same period last year, reaching USD 77 million. In real terms, operating cash flow expanded by 15%. Regarding the EBITDA margin, it reached 11%, slightly lower from 6M22.

CLISA SA (USD MM)	6M23	6M22	Var (%)	6M21	Var (%)
Construction	235	139	69%	90	160%
Transportation	219	188	17%	12	1707%
Environmental Engineering	235	190	24%	145	63%
Water Supply Services	41	38	7%	28	46%
Total Revenues	731	556	31%	275	166%
Operating Income	49	24	108%	20	139%
EBITDA	77	59	31%	52	47%
EBITDA Margin	11%	11%	77 bps	19%	(1500) bps

Source: Sekoia Research based on balance sheet data.

In this regard, the company recently reported new large-scale projects: the expansion of the Tamanduateí Metro Yard in São Paulo, Brazil; the metal-mechanical assembly for the Livent company's lithium project in Catamarca province; the paving of Route 1 in Santiago del Estero province; the construction of a water channel between San Javier and Tostado spanning 330 km (a government project); and the metal-mechanical assembly for Raizen Argentina for its two plants at the Dock Sud refinery. These projects represent approximately USD 135 million in revenue and increase the share of private clients to 20% of the total order backlog. Additionally, CLISA was awarded the extension of the current module for the final deposit of urban waste at the North III Landfill. The new infrastructure will provide capacity for approximately 15 million cubic meters of waste, extending 39 months of operation at the current disposal rate.

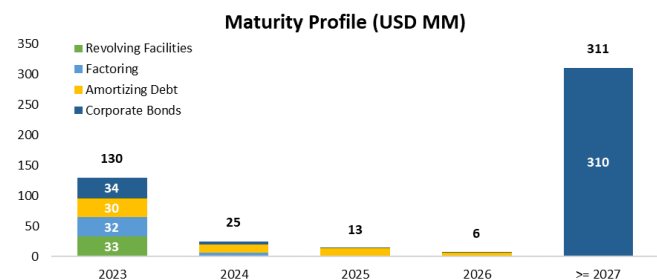
Debt Profile

CLISA reported total financial debt of USD 485 million. Of the total debt, 72% corresponds to its dollar bonds NY law and the remaining of its Peruvian Notes for USD 13 million; 13% in bank loans adjusted

for fixed rate and UVAs (porxy to CPI); 7% to bank credit lines and the remaining 8% to factoring. The debt is 83% denominated in hard currency.

Debt increased by 7% compared to the end of the first half of 2022. The increase was mainly due to the accrual of its international bond, partially offset by improved payment terms for current commercial debt.

It is worth noting that after the last closing, the company canceled the outstanding of two dollar bonds totaling USD 10 million and paid off USD 2 million of its amortizable notes in Peru, leaving a balance of USD 13 million amortizable in six installments starting in November 2024. Thanks to this and the fact that 50% of its debt is short-term (credit lines and factoring), the company cleared its maturities until the bond maturing in July 2027.



Source: Sekoia Research based on balance sheet data.

Furthermore, net financial debt stood at USD 439 million as of the recent quarter. This represented a 10% increase compared to 2022, mainly affected by the decrease in its cash position. At these levels, net leverage stands at 2.2 and interest coverage at 2.8.

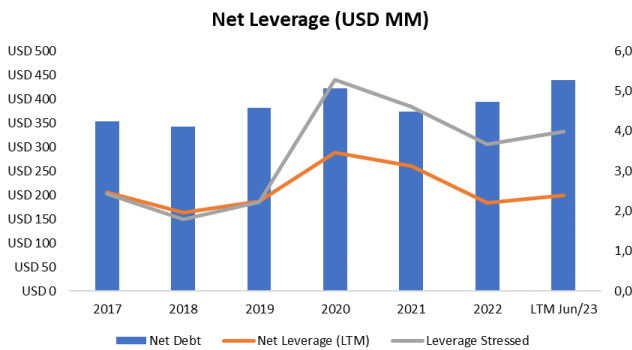
CLISA SA (USD MM)	6M23	6M22	Var (%)	6M21	Var (%)
Total Financial Debt	485	452	7%	466	4%
Cash and cash equivalents	46	52	-10%	28	64%
Net Debt	439	400	10%	438	0%
EBITDA (LTM)	197	126	56%	119	66%
Net Leverage	2,2	3,2	-1,0	3,7	-1,5
Interest (LTM)	71	48	47%	33	113%
Interest Coverage	2,8	2,6	0,2	3,6	-0,8

Source: Sekoia Research based on balance sheet data.

However, if we perform a financial stress scenario where the company is completely restricted from

accessing the official foreign exchange market, this would involve dollarizing the operating cash flow and cash position at the blue-chip swap rate.

In this regard, CLISA has 14% of its income in foreign currency, while its cash position is purely in local currency, and 83% of its debt is in foreign currency. In this context, net debt would only be reduced to USD 420 million, but annualized EBITDA would decrease to USD 113 million, resulting in a net leverage ratio of 3.7 and an interest coverage ratio of 1.6. The stress scenario clearly damages the company's ratios. Despite the recovery of these ratios in the last two years, the company has a significant amount of hard currency debt relative to its income.



Source: Sekoia Research based on balance sheet data.

CLISA 10 ½ 07/25/27

In 2021 In compliance with Central Bank regulations CLISA renegotiated its two emissions due in 2023, with a total outstanding amount of USD 332 million, achieving total acceptance of 97% of the outstanding.

The new dollar-denominated issue amounted to USD 325 million. The bond is governed by New York law and is guaranteed as a first lien on 100% of the shares of Tacsan and Central Buen Ayre (subsidiaries through which the company operates the North III landfill and the biogas generation plant).

The bullet bond matures in July 2027; it has a step-up coupon structure of 5.25% until January 2023 (inclusive), 8.5% until July 2024 (inclusive), and, from

then on, pays 10.5% until maturity. It is worth noting that the company has the option to pay part of the interest in kind until the July 2024 payment (inclusive). For the next two payments, the cash and capitalization portion of the coupons to be paid is 6.25%/2.25% and 7%/1.5% respectively.

The bond is one of the most punished within the Argentine corporate bond market, trading at 28.5%/29.5%, with a yield of 56%, duration of 2.7 years, and a nominal minimum of 100.

Bond Description **Issuer Description**

Pages	Issuer Information	Identifiers
11 Bond Info	Name CIA LATINO AMERICANA	FIGI BBG0125K1H78
12 Addtl Info	Industry Other Industrial (BCLASS)	ISIN USP3063XA174
13 Reg/Tax	Security Information	ID Number BR0860352
14 Covenants	Mkt Iss EURO-DOLLAR	Toggle
19 Guarantors	Ctry/Reg AR	Currency USD
18 Bond Ratings	Rank 1st lien	Series REGS
17 Identifiers	Coupon 10.500000	Type Pay-In-CL
16 Exchanges	Cpn Freq S/A	Day Cnt ISMA-30/360
15 Fees, Restrict	Maturity 07/25/2027	Iss Price
78 Schedules	CALL 10/20/23@100.00	Issuance & Trading
28 Coupons	Iss Sprd	Aggregated Amount Issued/Out
23 Impact	Calc Type (1317)PIK/CAP	USD 343,453.53 (M) /
Quick Links	Pricing Date 07/15/2021	USD 343,453.53 (M)
13 ORD OE Recap	1st Coupon Date 01/25/2022	Min Piece/Increment 100.00/ 1.00
14 TDH Trade Hist	PIK Announcement Date 07/10/2023	Par Amount 1.00
15 GACS Corp Action	PIK Coupon Payment Date 07/25/2023	Book Runner
38 CF Filings	ISSD IN EXCH-CPN 5.25%=2.5%CASH & 2.75% PIK TIL 1/23; 8.5%= 5.5%CASH & 3% PIK	Reporting
31 CN Sec News	@7/23, 6.25% CASH & 2.25% PIK @1/24, 7% CASH & 1.5% PIK @7/24, THEN 10.5% ...	TRACE
10 HDS Holders		
46 Send Bond		

Source: Bloomberg.

Outlook

CLISA is a traditional company with many years in the local market and is one of the leading civil engineering construction companies nationally. In addition to this, its income is diversified by segment, currency, client, and geographical location. In this way, it was able to face a severe crisis that affected one of the segments that contributed the most to its operating cash flow and partly reverse its leverage ratios, clearing its maturity profile.

Nevertheless, despite the increase in the number of construction projects, primarily with a greater share of revenue from the private sector, in a context of fiscal adjustment or delays in payments for national

public works, its future revenues could be affected, once again compromising its debt ratios. Its largest client is the public sector at all levels, which is the company's major financial risk.

That said, the company has always tried to respect its creditors in the most difficult situations, with voluntary exchanges seeking consensus. We believe that an exchange is not the base-case scenario in the short term, but even in an adverse scenario where the company has to carry out another debt exchange or liability restructuring, current prices for the 2027 bond offer very good entry coverage. For daring investors, it is a name we like due to the attractive carry of the bond structure. In a favorable scenario for the country and the company, the potential capital gain would be enormous.

Best regards,

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