

INTERNATIONAL BONDS									
Instrument	Currency	Coupon (%)	Maturity	Original amount (USD m)	Amount outstanding (USD m)	Price	Yield to worst (%)	Z-spread* (bps)	Rating: M/S&P/F
2021 Secured	USD	10.5	15-Jul-2021	147.5	147.5	109.00	4.58	318	B3/B-/B-

Source: Debtwire Analytics, market data as of .10 November 2017.
*To worst

BOND EXCHANGE SEEMS LIKE A DISTANT MEMORY

HIGHLIGHTS FOR 3Q17

Driven by a record avocado harvest of more than 42,000 tons, as well as improved prices, Camposol had its best third quarter ever. Its EBITDA was USD 43.8m, 86% higher year-over-year, as the company's revenues from avocados jumped 139.8% to USD 75.5m, on increased volumes sold (+119.1%) and prices (+15.5%). Camposol's 2017 avocado campaign will close at a little over 42,000 tons versus almost 23,000 tons in the previous year—although this year there was no El Niño effect as in the prior two. On a sour note, this was an “on” year, meaning that we expect for next year a 20%-30% decline, assuming climate behaves. In 2019, weather permitting, production should explode as it will be an “on”-year, and the trees will not be “debilitated” from two consecutive Niños.

The other major driver during the quarter was increased production in the seafood business (mainly shrimp). Production was 3,697 tons, gaining 29% YoY and 25.5% from the previous high in 4Q16. Camposol increased its number of intensive ponds to 67 from 54 in 2Q17 and 50 in 1Q17. It is important to remember that intensive pond production could be 30 times that of semi-intensive. Revenue from this business was flat YoY at USD 17.9m, as higher volumes sold (+57.9%) offset the decline in prices (-36.8%).

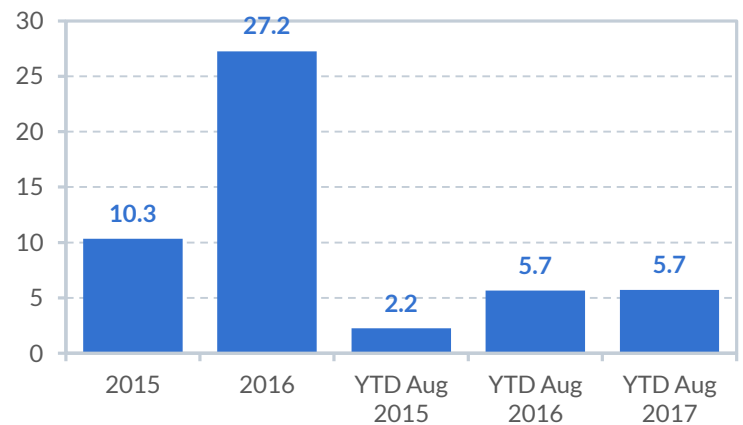
Camposol's free cash flow was USD 33.7m, rising from USD 10.9m in 3Q16, as higher EBITDA (USD +21m) and an optimization of working capital (USD +8.5m) offset higher capital expenditures (USD +4.2m).

With the avocado season over, the key for 4Q17 will be the price Camposol is able to obtain for its blueberries. We have warned in the past about the uncertainty regarding how long elevated prices in Peru will last, and how fast blueberry production could increase. During both 2015 and 2016, the company sold 64% of the blueberry production during the last three months of the year, so we will need to wait a few months to know.

TABLE 1: FREE CASH FLOW (USD m)							
	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Adj. EBITDA	7.7	6.1	22.8	35.9	10.2	25.2	43.8
(Cash) Capex	(5.2)	(4.9)	(7.4)	(7.3)	(6.1)	(9.2)	(11.6)
Δ Working capital	18.2	5.4	1.6	(2.8)	15.5	(20.7)	10.1
Interest paid	(10.1)	(5.4)	(5.8)	0.6	(10.6)	(0.7)	(8.3)
Taxes paid			(0.2)	(0.2)			(0.3)
Free cash flow	10.6	1.2	10.9	26.3	9.0	(5.4)	33.7

Source: Company filings, Debtwire Analytics

FIGURE 1: PERU BLUEBERRY EXPORTS (million kg)



Source: Debtwire Analytics, SUNAT

LATIN AMERICA CREDIT RESEARCH

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RECENT DEBTWIRE COVERAGE

[Camposol plans new international bond issue - report \(translated\) \(24-Oct-2017\)](#)
[Camposol to increase production without significant investments in capex \(translated\) \(27-Aug-2017\)](#)
[Camposol appoints Andres Colichon as CFO \(24-Apr-2017\)](#)
[Camposol CFO Maria Cristina Couturier resigns \(12-Apr-2017\)](#)

CHANGE IN ACCOUNTING METHODOLOGY

Camposol implemented norms IAS 41 and IAS 16 in order to reduce the variability in the income statement. Under the previous methodology, it performed changes in biological assets “regularly,” using the most recent year as the base to recalculate the net present value of the future agricultural production. As none of Camposol’s products have a deep futures market, significant variability in the spot prices provoked oscillations in the NPV of the biological assets. For example, under the previous methodology, during 4Q14, the company recorded negative USD 67.7m, then positive USD 33.4m and USD 49.8m during 4Q15 and 4Q16, respectively.

Under the new methodology, Camposol separates the products to be harvested during the fiscal year from the net present value of the remaining life. That is, in the change of value of biological assets on the income statement, the company only takes the difference between the initial assumption and the realized production of that year into account, resulting in significantly less variability. This initial estimation, done assuming a cutoff as of December 2014, is only as good as the assumptions at that moment, but at least the P&L will see much less variability.

INDEBTEDNESS

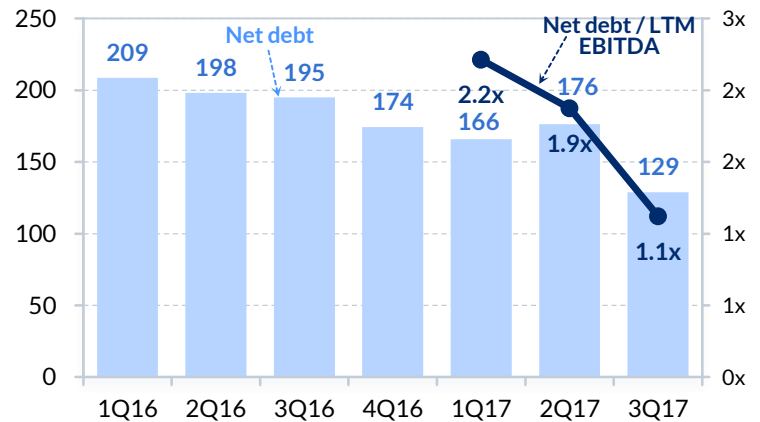
Camposol’s total debt stands at USD 160.9m, with a concentration (89%) in its 2021 bond that has a call at 105.25 on 7 July 2018. Then the company has USD 10.3m in loans from Interbank, half maturing in 2018 and half in 2019. The denomination for all debt is in USD.

Net debt stands at 1.1x, unthinkable a year ago when there were significant doubts about how the company would service its 2017 maturity. This ratio fell from 1.9x in 2Q17, on both lower debt (driven by the USD 33.7m positive free cash flow) and higher LTM EBITDA (USD +21m) (See Figure 2).

TRADING

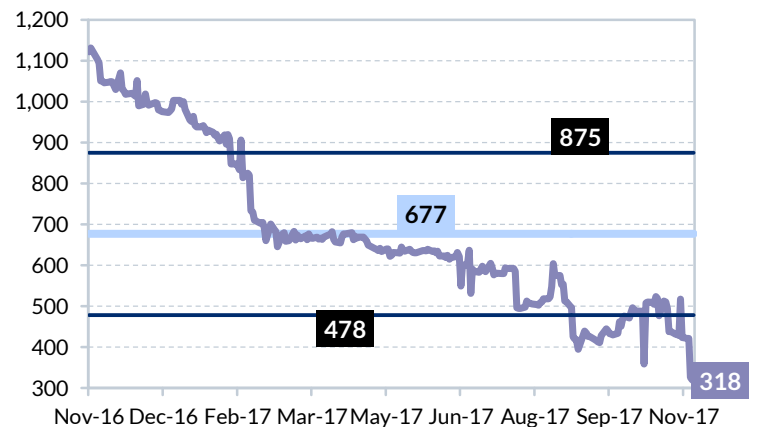
Camposol’s 2021s trade at a Z-spread of 318bps, a little wider than one standard deviation below the LTM average of 677bps (See Figure 3). The same occurs when looking at the spread to sovereign (Peru 2023) (See Figure 4), but a Z-spread of more than 1,000 in the months prior to the maturity of the company’s former 2017s distorts both of these measures. What is interesting, however, is that since payment of the 2017s (mid-February 2017), the Z-spread dropped ≈350bps (a ≈300bps tightening in the spread to sovereign, and a ≈50bps tightening in the sovereign).

FIGURE 2: NET DEBT (USD m) AND NET LEVERAGE



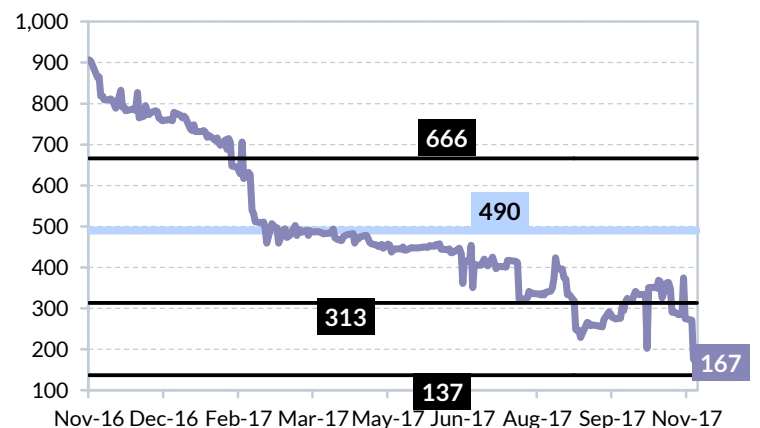
Source: Debtwire Analytics, company filings

FIGURE 3: 2021s Z-SPREAD (bps)



Source: Debtwire Analytics, market data.

FIGURE 4: 2021s SPREAD TO SOVEREIGN (PERU 2023) (bps)



Source: Debtwire Analytics, market data.

FINANCIAL SUMMARY (USD m)								
	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	Δ % (3Q16 - 3Q17)
Total revenue	55.1	48.6	71.7	101.3	58.2	70.4	112.1	56.3%
Cost of sales	(42.9)	(36.5)	(43.4)	(58.9)	(45.9)	(40.5)	(62.0)	42.8%
Depreciation of assumed cost	(3.8)	(3.8)	(4.5)	(3.0)	(3.7)	(3.9)	(2.3)	(49.2%)
Impairment				(2.5)			(4.8)	
Δ biological assets	(1.3)	(1.4)	2.4	7.9	(0.2)	3.2	7.5	212.5%
Administrative expenses	(5.4)	(6.6)	(6.1)	(8.5)	(5.1)	(6.1)	(9.7)	60.8%
Selling expenses	(1.6)	(2.3)	(1.9)	(2.5)	(1.7)	(2.2)	(1.9)	2.0%
Other income (expense)	(1.2)	(2.7)	(11.5)	2.1	(1.2)	(1.5)	1.2	
Equity in subsidiaries	0.2	(0.2)	(0.2)	0.9		(0.3)	(0.5)	125.4%
Financial result	(5.6)	(6.3)	(5.5)	(9.7)	(4.0)	(5.5)	(4.3)	(21.5%)
Income tax	(3.2)	(3.4)	(1.6)	(0.6)	5.4	(3.2)	(8.2)	405.9%
Net income	(9.2)	(16.6)	(4.1)	19.3	1.5	9.5	27.8	
Total asset	583.8	569.7	561.0	627.3	551.5	577.1	579.6	3.3%
Current assets	186.4	170.0	179.2	247.5	172.9	199.0	204.9	14.3%
Cash and cash eq.	28.0	29.6	31.5	84.7	32.0	27.4	36.1	14.4%
Trade receivables	29.9	20.8	26.5	42.8	18.9	41.9	30.6	15.3%
Inventories	39.1	37.9	29.3	32.6	25.5	34.2	35.6	21.6%
Current portion of biological assets	58.3	56.3	60.9	68.1	74.5	75.1	82.9	36.1%
Non-current assets	397.5	399.7	381.8	379.8	378.6	378.1	374.7	(1.9%)
PP&E	376.3	380.9	372.2	370.8	368.5	370.9	366.0	(1.7%)
Total liabilities	322.4	367.1	319.4	367.2	287.3	305.8	280.9	(12.1%)
Current liabilities	271.1	126.2	121.1	157.4	86.7	102.6	73.2	(39.5%)
Bank loans	27.5	23.2	22.7	40.9	34.4	38.2	5.0	(77.9%)
Trade receivables	27.4	29.9	27.8	37.7	28.0	35.8	35.9	29.0%
Current portion of LT debt	204.5	58.0	58.6	62.8	9.7	13.2	9.0	(84.6%)
Non-current liabilities	51.3	195.2	198.3	209.7	200.7	203.2	207.6	4.7%
LT debt	4.7	146.6	145.2	155.4	153.8	152.4	151.1	4.0%
Deferred income tax	42.3	44.5	46.3	46.1	39.2	42.6	48.3	4.5%
Shareholders' equity	261.4	248.4	241.5	260.3	264.2	271.3	298.7	23.7%
Adj. EBITDA	7.7	6.1	22.8	35.9	10.2	25.2	43.8	92.3%
Net debt	208.6	198.2	195.0	174.3	165.9	176.4	129.0	(33.8%)
Net debt/LTM Adj. EBITDA					2.2x	1.9x	1.1x	
Free cash flow	10.6	1.2	10.9	26.3	9.0	(5.4)	33.7	208.6%

Source: Debtwire Analytics, company filings

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