

Tear Sheet:

Empresas Copec S.A.

June 9, 2025

This report does not constitute a rating action.

We forecast solid operating performance and stable credit metrics at Empresas Copec S.A. (E-Copec). E-Copec's credit quality benefits from its business diversification, including the solid operating and financial performance at its energy subsidiary, Copec S.A. (Copec). In fact, in the first quarter of 2025, Copec reported robust results, with high volumes and an EBITDA margin of 6.2%, together with market share growing to 60.2% in Chile.

We expect stable operating metrics in coming years, fueled by moderate GDP growth of around 2.5% in Chile and 2.0% in Colombia, and by the company's commercial efforts to increase sales volumes. Moreover, Copec continues to focus on developing its renewable energy, convenience store, courier and retail operations, gradually increasing relevance of its nonfuel business and providing diversification to support long-term business growth.

Investment in the new pulp mill in Brazil (the Sucuricu project), coupled with weak pulp pricing, could strain credit metrics. E-Copec's pulp and forest products subsidiary, Celulosa Arauco y Constitución S.A. (Arauco; BBB-/Stable/--), started construction for the Sucuricu project. It reached 5.2% completion as of April 2025 and deployed 4.4% of the total planned capital expenditure (capex; \$4.6 billion). E-Copec injected \$300 million in Arauco in 2024 as part of its commitment of a capital contribution up to \$1.2 billion through 2026. In this regard, Arauco's--and consequently E-Copec's--credit metrics might worsen under a significant expansionary cycle and weaker bleached eucalyptus kraft pulp (BEKP) prices. We expect pulp prices, particularly hardwood, to drop in 2025, affected by market uncertainties due to global trade tensions. In fact, in the first quarter of 2025, Arauco reported weak results, reducing adjusted EBITDA by 14% from the previous quarter because of lower prices and volumes, and increasing adjusted leverage to 3.6x (reported leverage of 3.1x).

We believe this accretive project will be transformational for Arauco and E-Copec. However, we continue to forecast E-Copec's leverage very close to our 3.0x debt to EBITDA downside trigger (five-year moving average), pressuring our assessment of the company's financial risk profile. Potential risks include capex overruns, project delays, and weaker pulp prices. Small deviations from the initial plan that we expect could easily result in leverage persistently above 3.0x.

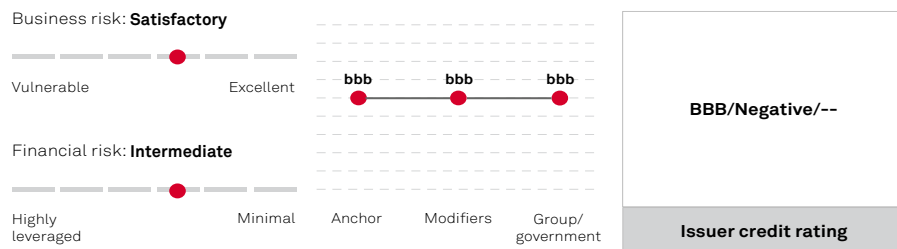
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Ratings Score Snapshot



Company Description

E-Copec is one of the largest private industrial holding companies in Chile, with revenue of about \$28 billion in 2024. It owns pulp, wood products, forestry, energy, fuel distribution, fishing, and mining businesses. The group holds large market shares and benefits from favorable cost positions at most of its subsidiaries.

Its main operating assets are:

- Arauco (stand-alone credit profile [SACP] of 'bbb-'): Three main businesses--pulp, wood products (panels and solid wood), and forestry--and a complementary energy business. Arauco is one of the world's largest pulp producers, with a capacity of 5.3 million tons of bleached and unbleached kraft pulp (on an attributable basis), which will increase to 8.8 million with the new mill. We expect the company to generate around 55% of group's total EBITDA in 2025.
- Copec (SACP of 'bbb-'): The largest Chilean gas and fuel distributor. Copec has an indirect controlling stake of 58.5% in Organizacion Terpel S.A. (not rated), which is the leader in the Colombian fuel and lubricant distribution market. It also operates in Panama, Ecuador, the Dominican Republic, and Peru. The company is increasing its nonfuel business through convenience stores, last-mile courier services, and renewable energy and electromobility projects. We expect Copec will account for around 35% of the group's EBITDA in 2025.
- Abastible (not rated): One of the largest liquefied petroleum gas distributors in South America. It operates in Chile, Colombia (through Colgas with a 51% stake), Peru (under the Solgas brand), and Ecuador (through Duragas). It also operates in Spain and Portugal through Gasib, a butane, propane, and autogas business it acquired in December 2024. We expect Abastible and its assets to represent 5%-10% of the group's total EBITDA in 2025.

Outlook

The negative outlook reflects our expectation for higher leverage for the next two to three years given the company's large investment plans, reducing its credit metrics cushion in case of deviations.

Downside scenario

We could lower the ratings in the next 12 to 24 months if we expect debt to EBITDA to remain persistently above 3.0x--for example, due to deviations in investment plans, lower dividends from affiliates, or weaker performance at subsidiaries. We could also lower the ratings if the group's cash sources-to-uses ratio falls below 1.2x in the next 12 months.

Upside scenario

We could revise the outlook to stable if the company's subsidiaries improve operating and financial performance or if pulp prices are stronger than we expect, reducing leverage and increasing headroom on E-Copec's credit metrics.

Key Metrics

	--Fiscal year ended Dec. 31--					
(Mil. \$)	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	30,765.2	29,179.3	28,114.7	27,387.6	28,123.4	28,735.1
EBITDA (Adjusted)	3,606.8	2,353.4	3,089.7	3,073.5	3,432.2	3,537.5
Funds from operations (FFO)	3,759.7	1,625.5	2,176.7	2,160.7	2,424.4	2,478.7
Interest expense	401.9	684.4	634.6	634.6	678.5	733.4
Cash flow from operations (CFO)	1,776.1	2,001.5	2,442.7	2,270.3	2,339.5	2,414.0
Capital expenditure (capex)	2,033.6	1,743.9	1,692.1	2,728.3	3,203.8	2,545.4
Free operating cash flow (FOCF)	(257.4)	257.6	750.6	(457.9)	(864.3)	(131.4)
Dividends	575.9	458.8	328.0	431.8	290.1	294.6
Discretionary cash flow (DCF)	(833.3)	(201.2)	422.6	(889.8)	(1,154.4)	(426.0)
Debt (Adjusted)	8,707.1	9,130.8	8,105.1	8,944.3	10,048.1	10,423.6
Cash and Equivalents (reported)	1,569.4	1,927.5	2,335.8	1,929.6	1,855.9	2,281.4
<i>Adjusted ratios</i>						
EBITDA margin (%)	11.7	8.1	11.0	11.2	12.2	12.3
Debt/EBITDA (x)	2.4	3.9	2.6	2.9	2.9	2.9
EBITDA interest coverage (x)	9.0	3.4	4.9	4.8	5.1	4.8
FFO/debt (%)	43.2	17.8	26.9	24.2	24.1	23.8
CFO/debt (%)	20.4	21.9	30.1	25.4	23.3	23.2
FOCF/debt (%)	(3.0)	2.8	9.3	(5.1)	(8.6)	(1.3)
DCF/debt (%)	(9.6)	(2.2)	5.2	(9.9)	(11.5)	(4.1)

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

Financial Summary

Empresas Copec S.A. (E-Copec)--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a

Empresas Copec S.A. (E-Copec)--Financial Summary

Display currency (mil.)	\$	\$	\$	\$	\$	\$
Revenues	23,716	18,059	24,787	30,765	29,179	28,115
EBITDA	2,009	1,815	3,390	3,607	2,353	3,090
Funds from operations (FFO)	1,085	1,404	2,980	3,760	1,626	2,177
Interest expense	415	418	366	402	684	635
Cash interest paid	451	392	385	416	590	576
Operating cash flow (OCF)	1,358	1,891	2,623	1,776	2,002	2,443
Capital expenditure	1,622	2,027	1,912	2,034	1,744	1,692
Free operating cash flow (FOCF)	(264)	(137)	711	(257)	258	751
Discretionary cash flow (DCF)	(566)	(137)	(85)	(833)	(201)	423
Cash and short-term investments	2,334	2,339	1,827	1,569	1,928	2,336
Gross available cash	2,334	2,339	1,827	1,569	1,928	2,336
Debt	7,239	7,905	7,549	8,707	9,131	8,105
Common equity	11,174	11,060	11,462	12,481	12,967	13,489
Adjusted ratios						
EBITDA margin (%)	8.5	10.1	13.7	11.7	8.1	11.0
Return on capital (%)	6.2	4.9	16.4	14.7	7.7	10.2
EBITDA interest coverage (x)	4.8	4.3	9.3	9.0	3.4	4.9
FFO cash interest coverage (x)	3.4	4.6	8.7	10.0	3.8	4.8
Debt/EBITDA (x)	3.6	4.4	2.2	2.4	3.9	2.6
FFO/debt (%)	15.0	17.8	39.5	43.2	17.8	26.9
OCF/debt (%)	18.8	23.9	34.7	20.4	21.9	30.1
FOCF/debt (%)	(3.6)	(1.7)	9.4	(3.0)	2.8	9.3
DCF/debt (%)	(7.8)	(1.7)	(1.1)	(9.6)	(2.2)	5.2

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of E-Copec, reflecting a similar assessment at its main subsidiaries.

In our view, energy transition poses a long-term threat to Copec's business growth. The company is gradually investing in related initiatives--such as the largest network of electric charging stations, photovoltaic generation companies, batteries, and energy trading in South America--and in other businesses like retail and logistics. The company targets that its nonfuel business will represent 50% of EBITDA by 2040.

For Arauco, pulp and panels production require considerable amounts of energy, water, and chemicals, and generate greenhouse gas emissions, waste, and water pollution, resulting in regulatory and reputational risks for the industry. On the other hand, Arauco owns extensive forests that are certified for sustainable management and that work as carbon sinks. The

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company has been certified as carbon neutral, it's 100% energy self-sufficient, and it has committed to investments and initiatives to use water and energy more efficiently and prevent pollution.

In terms of management and governance factors, we have a neutral consideration in our credit rating analysis of E-Copec. Management capabilities are consistent with the organization's strategy execution. Board structure, risk management, and reporting transparency are in line with those of peers. We do not identify any severe deficiency that could be harmful for the company's risk profile.

Rating Component Scores

Foreign currency issuer credit rating	BBB/Negative/--
Local currency issuer credit rating	BBB/Negative/--
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	Adequate (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](#), April 4, 2024
- [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

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- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

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