Empresas Copec S.A.

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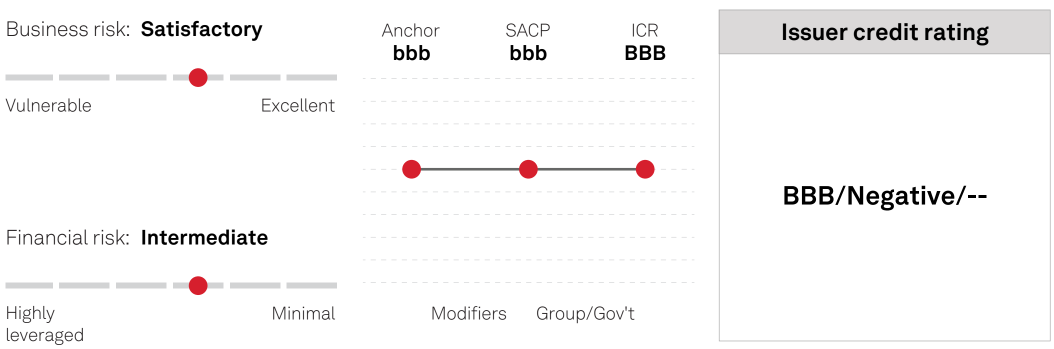
This report does not constitute a rating action.

Ratings Score Snapshot



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

Credit Highlights

Overview

Key strengths	Key risks
One of the largest private industrial holding companies in Chile	Large investment project in the pulp division has significantly increased its leverage, affecting the group's cash flow
Owns one of the largest global pulp producers, with solid market position and relatively low-cost base	Exposure to commodity price volatility, mainly to pulp and oil and, to a less extent, copper
Owns the largest fuel retailer in Chile and majority owns the leading fuel retailer in Colombia	The fuel retail business could face challenges from energy transition in the medium to long term
Industry and geographic diversification.	

Empresas Copec's (E-Copec's) first-quarter 2026 results reflect a highly divergent performance across its core business segments. While the forestry division faced operational hurdles, other segments provided a buffer. Specifically, its fuel distribution arm, Copec, and Abastible delivered resilient results that helped offset the weakness in the wood products and pulp markets. However, the overall group's cash flows and credit metrics remain under pressure because of the volatility in Arauco's earnings and the heavy capital requirements for a major pulp expansion project.

We forecast the fuel retail subsidiary, Copec, to maintain strong earnings through 2026, supported by favorable pricing, margins, and growing diversification. We expect Copec to deliver record EBITDA of approximately $1.4 billion in 2026, up from $1.1 billion in 2025, despite an anticipated 4% volume contraction (see "Copec S.A.", May 29, 2026).

The company is benefitting from robust pricing environment; S&P Global Ratings projects Brent prices of $96/barrel (bbl) in 2026 and $75/bbl in 2027. This surge, combined with the recalibration of Chile's fuel price stabilization mechanism (MEPCO)--which allowed faster price pass-throughs--and Copec's stronger industrial margins amid its fuel import capabilities will underpin robust profitability in 2026.

Furthermore, we think Copec's strategic pivot toward nonfuel and low-carbon businesses will increasingly contribute to EBITDA, with a projected 8% contribution in 2026 and about 11% in 2027.

We expect operational headwinds and intensive capital requirements to strain Arauco's leverage through 2027. Lower pulp prices and rising cash costs have prompted a downward revision of our 2026 EBITDA forecast from $1.7 billion to approximately $1.4 billion. The Sucuriú project expansion remains the primary driver of cash burn, with capital expenditure (capex) expected to peak at $3.2 billion in 2026, resulting in a free operating cash flow (FOCF) deficit of nearly $2.4 billion (see "Celulosa Arauco y Constitución S.A.," May 29, 2026).

Consequently, we anticipate Arauco's leverage will peak at debt to EBITDA of 5.8x in 2026, before improving toward 4.5x in 2027. Improvements in 2027 will reflect stronger pulp prices and an additional 700,000 tons of pulp output from the startup of Sucuriú in the fourth quarter of 2027.

We expect consolidated group metrics to remain elevated through 2027 while the company manages record earnings in some segments against significant cash outflows in others. Although Copec's record results are expected to offset Arauco's weaker performance in 2026, we still forecast consolidated leverage to remain above 3.0x, with debt to EBITDA at 3.3x in 2026 and trending toward 3.0x in 2027, weighing on our assessment of the company's financial risk profile.

We forecast consolidated EBITDA to increase to approximately $3.5 billion in 2026 and $3.9 billion in 2027, up from $2.9 billion in 2025. These projections incorporate the expected dividend inflows from unconsolidated subsidiaries, which we estimate at $260 million-$270 million per year in 2026-2027.

Despite the EBITDA growth, the group will navigate significant cash flow challenges, with FOCF deficit of approximately -$1.7 billion in 2026 due to peak capex of $3.9 billion.

The group's long-term credit stability will depend on continued parental support and the effective management of subsidiary-level financial policy and leverage during this peak investment cycle. Group support from E-Copec is becoming increasingly critical, as seen in the decision to advance $200 million of the expected 2026 capitalization to June to support Arauco.

While we believe extraordinary support from the parent is highly likely, given Arauco's importance to the group, the heavy investment cycle remains a latent risk. To manage the temporary strain on consolidated leverage, we recognize that the group possesses a portfolio of noncore assets that could be monetized, providing a source of financial flexibility that may assist in containing leverage during this intensive investment cycle.

Outlook

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

Downside scenario

We could lower the ratings in the next 12-24 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; or
- 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 E-Copec's credit metrics cushion.

Our Base-Case Scenario

Assumptions

- Average realized pulp prices of about $663 per ton in 2026, $731 per ton in 2027, and $642 per ton in 2028--up from $630 per ton in 2025
- Pulp volumes sold increasing 2.5% in 2026, 17% in 2027 including about 700,000 tons from Sucuriú (about 20% of its capacity), and 44% to 5.9 million tons in 2028 amid ramp-up of Sucuriú
- Wood product volumes remaining flat in 2026, before growing 1% in 2027 and then remaining almost flat
- Average wood products prices increasing close to 2% in 2026 and about 1% in 2027 and 2028
- Arauco's EBITDA of $1.4 billion in 2026, $2.0 billion in 2027, and $2.5 billion in 2028, compared with $1.3 billion in 2025
- Volumes decreasing 3% at Copec and 4% at Terpel in 2026 amid price elasticity following higher fuel prices; and to follow GDP growth pace afterward
- Copec's EBITDA of $1.4 billion in 2026 and $1.2 billion in 2027-2028
- Abastible's EBITDA of $300 million in 2026-2027 and $310 million in 2028
- Dividends from subsidiaries (registered under the equity method) Metrogas S.A., Agesa, and Mina Justa (not rated) between $260 million and $270 million per year
- Dividend payout ratio of 30% in 2026-2028
- Capex of $3.9 billion in 2026, $2.6 billion in 2027, and $1.7 billion in 2028

Key metrics

Empresas Copec S.A. (E-Copec)--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. $)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	30,765	29,179	28,115	29,638	35,006	34,174	34,319	34,821
Gross profit	6,289	4,975	5,657	5,539	6,324	6,709	7,095	7,323
EBITDA (reported)	2,948	1,831	2,853	2,573	2,959	3,429	3,757	3,936
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	658	523	236	365	524	513	558	562
EBITDA	3,607	2,353	3,090	2,938	3,483	3,942	4,315	4,498
Less: Cash interest paid	(416)	(590)	(576)	(573)	(716)	(736)	(723)	(698)
Less: Cash taxes paid	569	(137)	(337)	(358)	(347)	(381)	(396)	(434)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	3,760	1,626	2,177	2,007	2,421	2,826	3,195	3,366
EBIT	2,949	1,673	2,219	2,022	2,359	2,675	2,996	3,162
Interest expense	402	684	635	637	722	742	730	705
Cash flow from operations (CFO)	1,776	2,002	2,443	2,358	2,139	2,789	3,067	3,361
Capital expenditure (capex)	2,034	1,744	1,692	2,996	3,858	2,613	1,723	1,880
Free operating cash flow (FOCF)	(257)	258	751	(638)	(1,719)	176	1,344	1,481
Dividends	576	459	328	354	375	362	425	473
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(833)	(201)	423	(992)	(2,093)	(185)	919	1,008
Debt (reported)	9,245	9,661	8,963	10,911	11,600	11,925	11,462	11,018
Plus: Lease liabilities debt	902	1,168	1,209	1,640	1,746	1,799	1,853	1,908
Plus: Pension and other postretirement debt	113	116	111	127	127	127	127	127
Less: Accessible cash and liquid Investments	(1,569)	(1,928)	(2,336)	(2,546)	(1,600)	(1,600)	(1,918)	(2,347)
Plus/(less): Other	16	113	159	(409)	(409)	(409)	(409)	(409)
Debt	8,707	9,131	8,105	9,723	11,465	11,842	11,114	10,297
Equity	12,481	12,967	13,489	15,357	16,322	17,230	18,291	19,444
FOCF (adjusted for lease capex)	(622)	258	751	(1,157)	(1,967)	(15)	1,153	1,290
Interest expense (reported)	396	676	627	629	714	735	722	697
Capex (reported)	2,034	1,744	1,692	2,996	3,858	2,613	1,723	1,880
Cash and short-term investments (reported)	1,569	1,928	2,336	2,546	1,600	1,600	1,918	2,347
Adjusted ratios								
Debt/EBITDA (x)	2.4	3.9	2.6	3.3	3.3	3.0	2.6	2.3

Empresas Copec S.A. (E-Copec)--Forecast summary

FFO/debt (%)	43.2	17.8	26.9	20.6	21.1	23.9	28.8	32.7
FFO cash interest coverage (x)	10.0	3.8	4.8	4.5	4.4	4.8	5.4	5.8
EBITDA interest coverage (x)	9.0	3.4	4.9	4.6	4.8	5.3	5.9	6.4
CFO/debt (%)	20.4	21.9	30.1	24.3	18.7	23.6	27.6	32.6
FOCF/debt (%)	(3.0)	2.8	9.3	(6.6)	(15.0)	1.5	12.1	14.4
DCF/debt (%)	(9.6)	(2.2)	5.2	(10.2)	(18.3)	(1.6)	8.3	9.8
Lease capex-adjusted FOCF/debt (%)	(7.1)	2.8	9.3	(11.9)	(17.2)	(0.1)	10.4	12.5
Annual revenue growth (%)	24.1	(5.2)	(3.6)	5.4	18.1	(2.4)	0.4	1.5
Gross margin (%)	20.4	17.1	20.1	18.7	18.1	19.6	20.7	21.0
EBITDA margin (%)	11.7	8.1	11.0	9.9	10.0	11.5	12.6	12.9
Return on capital (%)	14.7	7.7	10.2	8.7	8.9	9.4	10.2	10.7
Return on total assets (%)	11.0	5.9	7.8	6.6	6.9	7.4	8.1	8.3
EBITDA/cash interest (x)	8.7	4.0	5.4	5.1	4.9	5.4	6.0	6.4
EBIT interest coverage (x)	7.3	2.4	3.5	3.2	3.3	3.6	4.1	4.5
Debt/debt and equity (%)	41.1	41.3	37.5	38.8	41.3	40.7	37.8	34.6
Debt fixed-charge coverage (x)	9.0	3.4	4.9	4.6	1.4	2.1	2.7	2.8
Debt/debt and undepreciated equity (%)	41.1	41.3	37.5	38.8	41.3	40.7	37.8	34.6

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

Company Description

E-Copec is one of the largest private industrial holding companies in Chile, with revenue of about $30 billion in 2025. 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.

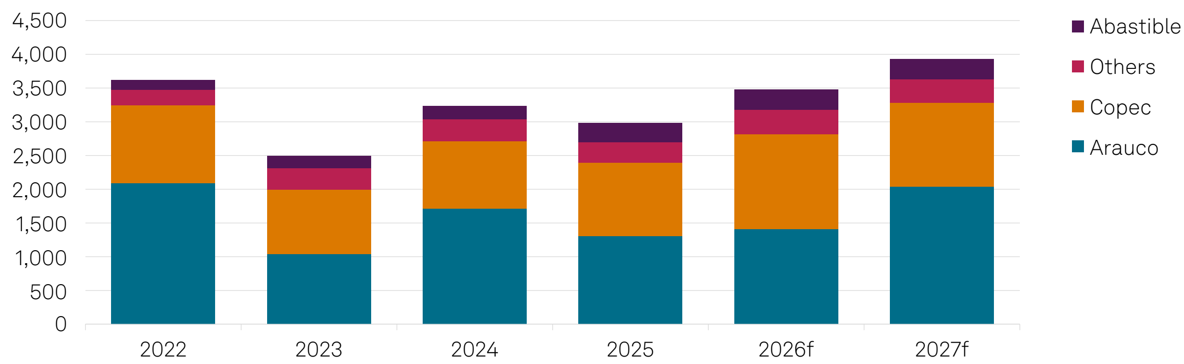
Its main operating assets are:

- Arauco (stand-alone credit profile [SACP] of 'bb+'): 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 is expected to increase to 8.8 million with the new mill. We expect the company to generate about 40% of group's total EBITDA in 2026.
- 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 about 40% of the group's EBITDA in 2026.

- 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 8%-10% of the group's EBITDA in 2026.

EBITDA contribution

Mil. $



f--Forecast. Source: S&P Global Ratings.

Peer Comparison

Empresas Copec S.A. (E-Copec)--Peer Comparisons

	Empresas Copec S.A.	Suzano S.A.	Celulosa Arauco y Constitucion S.A.	Empresas CMPC S.A.
Foreign currency issuer credit rating	BBB/Negative/--	BBB-/Positive/--	BBB-/Negative/--	BBB-/Stable/--
Local currency issuer credit rating	BBB/Negative/--	BBB-/Positive/--	BBB-/Negative/--	BBB-/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31
Mil.	$	$	$	$
Revenue	29,638	9,099	6,084	7,475
EBITDA	2,938	3,884	1,310	1,077
Funds from operations (FFO)	2,007	2,726	808	685
Interest	637	1,180	416	342
Cash interest paid	573	1,106	425	302
Operating cash flow (OCF)	2,358	3,281	992	795
Capital expenditure	2,996	2,233	2,392	693
Free operating cash flow (FOCF)	(638)	1,048	(1,400)	102
Discretionary cash flow (DCF)	(992)	612	(1,514)	59
Cash and short-term investments	2,546	4,559	1,515	904
Gross available cash	2,546	4,559	1,284	904
Debt	9,723	15,201	6,876	4,885
Equity	15,357	7,980	10,121	10,618

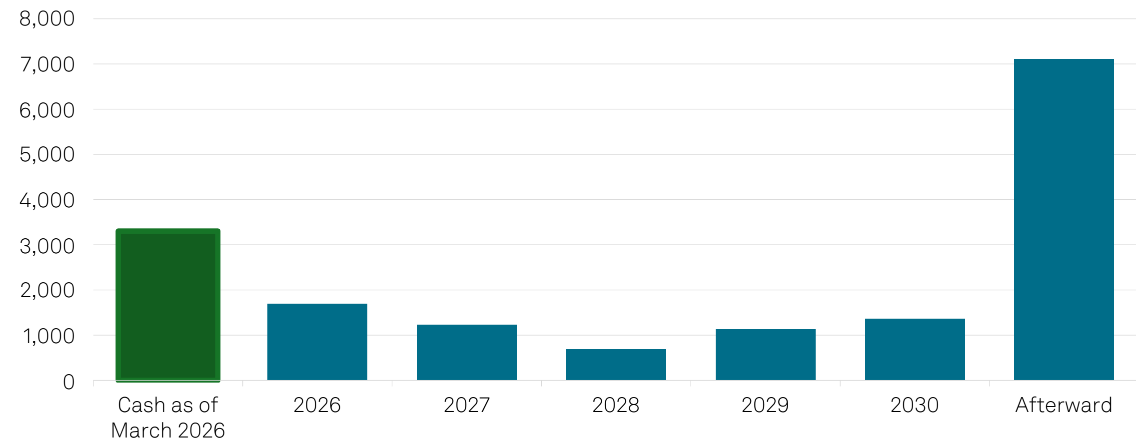
Empresas Copec S.A. (E-Copec)--Peer Comparisons

EBITDA margin (%)	9.9	42.7	21.5	14.4
Return on capital (%)	8.7	9.0	4.2	3.3
EBITDA interest coverage (x)	4.6	3.3	3.2	3.1
FFO cash interest coverage (x)	4.5	3.5	2.9	3.3
Debt/EBITDA (x)	3.3	3.9	5.2	4.5
FFO/debt (%)	20.6	17.9	11.8	14.0
OCF/debt (%)	24.3	21.6	14.4	16.3
FOCF/debt (%)	(6.6)	6.9	(20.4)	2.1
DCF/debt (%)	(10.2)	4.0	(22.0)	1.2

Financial Risk

Debt maturities

Mil. $



Source: S&P Global Ratings.

Liquidity

We expect E-Copec's liquidity sources to continue to exceed uses of cash by more than 1.2x in the next 12 months. The group and its main subsidiaries have maintained solid liquidity despite investments and acquisitions, without short-term pressure or limits on access to banks and capital markets. These factors underscore E-Copec's sound relationships with lenders and standing in the markets.

Moreover, we think the group and its subsidiaries could absorb high-impact, low-probability events with limited need for refinancing, given that capex and dividends are flexible, the group can sell several assets, and the operating subsidiaries can count on group support--as seen in capital injections and intercompany loans to Arauco and Copec, respectively.

The group also benefits from generally prudent risk management. We think management can anticipate potential setbacks and take necessary actions, such as accessing committed credit lines.

Principal liquidity sources	Principal liquidity uses
• Cash holdings worth $3.2 billion as of March 2026 • E-Copec's undrawn revolving credit facility for $500 million due in January 2030 • Arauco's undrawn revolving credit facility for $450 million due in September 2027 • Funds from operations of about $2.4 billion, net of operating leases • New funding sources contracted undrawn for $1.7 billion (ECA, the A/B loan) at Arauco	• Short-term maturities of about $2 billion as of March 2026 • Capex of about $3.5 billion in the next 12 months • Working capital needs of $300 million in the next 12 months (including intrayear requirements) • Dividend payments of about $370 million the next 12 months, in line with a 30% dividend payout ratio

Covenant Analysis

Requirements

Financial covenants for E-Copec include keeping net debt to equity below 1.2x.

Compliance expectations

We believe E-Copec will continue to meet its covenant with more than 40% of debt headroom.

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 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 don't identify any severe deficiency that could be harmful for the company's risk profile.

Group Influence

E-Copec is controlled by the Angelini family through its holding company, Antarchile S.A. However, Antarchile is a shell company, without any other operations (just minor administrative expenses) or significant debt. For this reason, we assess the group's credit quality at the E-Copec level.

We base our ratings on Copec and Arauco on their SACPs and on our view that they are both highly strategic subsidiaries. We don't believe E-Copec would sell Copec because the latter's operations are integral to the overall group strategy, as well as its strong reputation and brand links. Additionally, we think senior management has demonstrated a long-term commitment of support, for instance both through intercompany loans and capitalizations from the parent.

We also don't believe E-Copec would sell Arauco because its operations are also integral to the overall group strategy, its status as one of the group's flagship businesses, and its EBITDA contribution historically hovering around 50% of the total. Due to Arauco's and Copec's status as highly strategic subsidiaries, the ratings on them are either at the same level as their respective SACPs or one notch below the rating on E-Copec--whichever is higher. The SACP on Copec is 'bbb-', so the rating doesn't benefit from notches of group support. On the other hand, the SACP on Arauco is 'bb+' and our 'BBB-' issuer credit rating benefits from one notch of support.

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**
Modifiers	
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, July 7, 2025
- 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: Copec S.A., May 29, 2026
- Tear Sheet: Celulosa Arauco y Constitución S.A., May 29, 2026

Ratings Detail (as of May 29, 2026)*	
Empresas Copec S.A.	
Issuer Credit Rating	BBB/Negative/--
Issuer Credit Ratings History	
27-Sep-2024	BBB/Negative/--
26-Aug-2022	BBB/Stable/--
10-Sep-2021	BBB-/Positive/--
Related Entities	
Celulosa Arauco y Constitucion S.A.	
Issuer Credit Rating	BBB-/Negative/--
Senior Unsecured	BBB-
COPEC 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.