

Latam Equity Quant

Looking for buyers

Investment Strategy

Key takeaways

- The current level of rates allows for Ibov upside, in our view. Plus, long term real rates could continue to fall.
- Downwards EPS revisions could be stabilizing and are likely already priced in.
- Local funds continue to post outflows in line with the avg of the last 6M. No foreign inflows into B3 in the past 3 weeks.

Last week in numbers

What it takes to get Ibovespa to 135k: The current level of real rates allows for Ibov upside, we think. Historical P/E for Ibov ex-commodities associated with 5.2% (current) real rates is 18% higher than current 2024E P/E (Exhibit 1). On top of that, history suggests long-term real rates could continue to fall at least another 50bp, which would justify a bigger upside for Ibov. See more details in [What it takes to get Ibov to 135k](#).

Downwards earnings revisions are a key risk, but could be stabilizing. Our 3-month ERR (Earnings Revisions Ratio, which shows the # upwards / # downwards earnings revisions) for Brazil is at 0.7, up from 0.6 last month (Exhibit 22). The ratio remains below one, which shows that downwards earnings revisions outpace upwards earnings revisions still, but it's improving for high beta sectors such as C. Discretionary, IT and industrials (Exhibit 23). We think that the size of discounts we see today in Brazil already price in a lot of the downwards earnings revisions.

EM equity funds had US\$0.8bn outflows this week. YTD, EM equity funds had US\$66bn inflows (Exhibit 13). Inflows into EM equity funds during the last 2 months were almost entirely directed into China.

Meanwhile, inflows from foreigners into Brazil exchange (B3) are flattish in the past weeks. In 2023, foreign flows into cash equities + futures + IPO/follows in BZ are still positive (+R\$6bn YTD, Exhibit 12).

Brazil local equity funds continue to show outflows: R\$1.1bn outflows last week (slightly below avg of the last 6M, -R\$1.5/week). Preliminary data for this week shows R\$0.3bn outflows (Exhibit 10).

Brazil local hedge funds: Local hedge funds had R\$2.2bn outflows last week (in line with avg of the last 6M, -R\$2.4/week). Preliminary data for this week show R\$1bn inflows (but -R\$0.5bn outflows after removing one outlier fund, Exhibit 10).

For detailed data on flows, please refer to our monthly [Flows to know](#) report.

07 July 2023

Investment Strategy
Latin America

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Exhibit 1: LatAm Earnings Revision Ratio

Earnings Revision Ratio = #Up Revisions / #Down Revisions. Brazil ERR at 0.7. Sector details in Exhibit 23.

LatAm countries	May-23	Jun-23
Argentina	3.0	4.9
Brazil	0.6	0.7
Chile	0.7	0.7
Colombia	0.7	0.6
Mexico	1.1	1.1
Peru	0.7	0.7
LatAm	0.8	0.8

Source: BofA Global Research, Factset, Bloomberg
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BZ = Brazil

ERR = Earnings Revision Ratio

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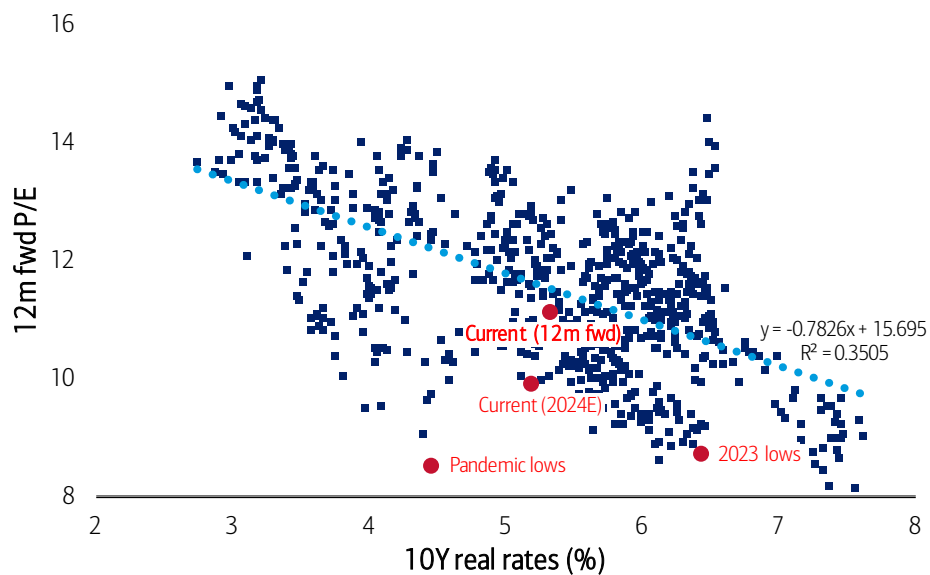
Refer to important disclosures on page 16 to 18.

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Exhibit 2: Ibov ex-commodities 12m fwd P/E (Y-axis) vs Brazil 10y real rates (X-axis)

Valuation back to historical levels (given the level of rates) plus a 50bp decline in long term real rates can justify 21% upside and P/E 4% above hist avg (in term of 2024E P/E) for Ibov ex-commodities.



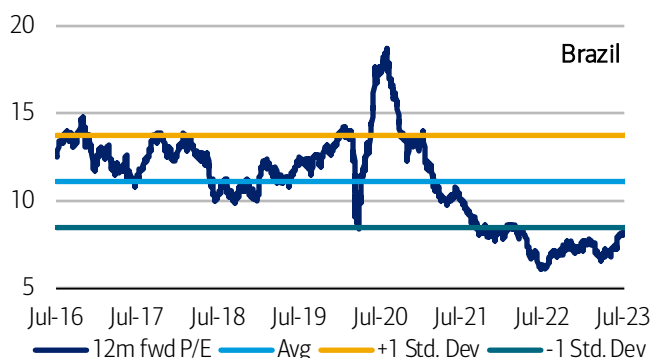
Source: BofA Global Research, Bloomberg Consensus estimates.

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LatAm valuation

Exhibit 3: Ibovespa P/E ratio (12m fwd)

Trading at 1 Std Dev below historical average, mostly driven by commodities.

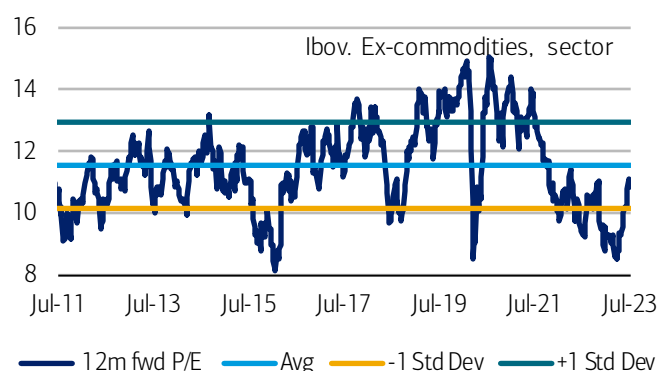


Source: BofA Global Research, Bloomberg

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Exhibit 4: Ibovespa P/E ratio (12m fwd, sector adjusted ex. commodities)

Ibov ex-commodities at 6% discount vs hist



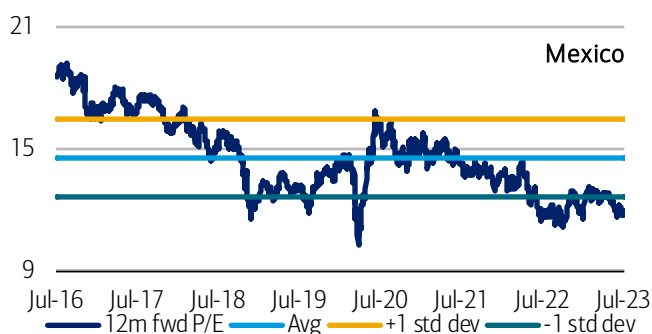
Note: Sector weights were adjusted and kept constant through time.

Source: BofA Global Research, Bloomberg

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Exhibit 5: Mexbol P/E ratio, Jul-17 to Jul-23

Trading at more than 1 Std Dev below historical average.

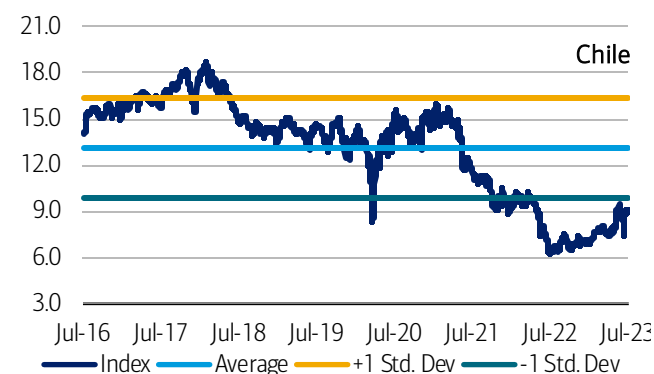


Source: BofA Global Research, Bloomberg

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Exhibit 6: IPSA P/E ratio, Jul-17 to Jul-23

Trading at more than 1 Std Dev below historical average.

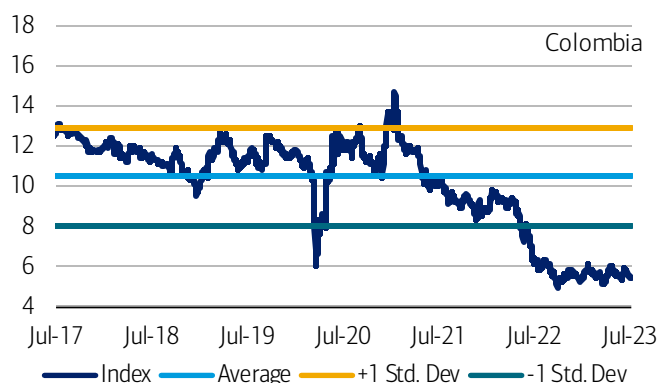


Source: BofA Global Research, Bloomberg

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Exhibit 7: Colcap P/E ratio, Jul-17 to Jul-23

Trading more than 1 Std Dev below historical average.



Source: BofA Global Research, Bloomberg

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Exhibit 8: Valuation summary

Brazil 26% discounted vs hist.

Country	Index	Current	Average	Std. Dev	Prem. to Hist	Prem. to EM*
Brazil	Ibov	8.2	11.1	2.6	-26%	-35%
BZ	Ex-commod.	10.9	11.6	1.4	-6%	-11%
Mexico	Mexbol	11.9	14.6	1.9	-18%	-1%
Chile	Ipsa	8.9	13.1	3.3	-32%	-27%
Peru	SPBLPGPT	8.7	12.4	2.5	-30%	-20%
Colombia	Colcap	5.4	10.5	2.4	-48%	-60%
Argentina	Merval	12.8	10.4	2.9	24%	-39%
EM	MXEF	12.2	12.2	1.2	0%	-

Source: BofA Global Research, Bloomberg

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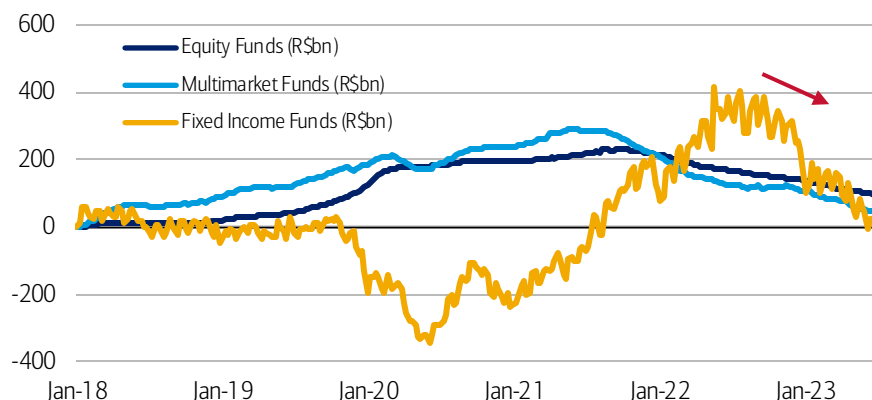


Flows & Positioning

Brazil flows

Exhibit 9: Cumulative flows into Brazil local fixed income, equity funds and local multimarket (hedge) funds (R\$bn)

Inflows into Brazil local equity and multimarket funds peaked in Sep-21.



Source: BofA Global Research, Economática

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Exhibit 10: Equity and Multimarket funds weekly flows (R\$bn) (Brazil local funds)

Brazil local equity funds had outflows since Sep-21.

Equity and Multimarket funds weekly flows

Fund type	AUM	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul*	YTD	Since peak Sep-21
Broad equity Funds	241	-0.3	-0.9	-0.7	-0.7	-0.2	-30	-80
Ibovespa Active	41	-0.7	-0.6	-0.3	-0.1	0.0	-6	-27
Other	69	-0.2	-0.8	-0.3	-0.4	-0.1	-7	-21
Equity Funds (Ex. Foreign Invest.)	352	-1.1	-2.3	-1.3	-1.1	-0.3	-42	-137
Multimarket	835	-2.7	0.4	-0.7	0.5	1.6	-31	-123
Macro	264	-1.2	-1.0	-0.8	-1.6	-0.6	-26	-68
Other	146	-0.3	3.9	0.0	-1.0	-0.1	-4	-34
Multimarket Funds (Ex. Foreign Invest.)	1,245	-4.3	3.2	-1.5	-2.2	1.0	-61	-224

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 11: Fixed Income funds weekly flows (R\$bn) (Brazil local funds)

Brazil local fixed income funds had outflows in 2022.

Fixed Income funds weekly flows

Fund type	AUM	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul*	YTD
FI Short Duration - Invest. Grade	895	-3.8	3.8	-4.1	0.2	-0.5	-106.4
FI Short Duration Govt	803	28.9	-21.2	2.2	-20.5	-1.4	10.5
FI All Duration Credit	271	1.7	1.1	2.0	3.1	-0.3	-9.2
FI All Duration - Invest. Grade	719	-3.0	7.4	1.5	-4.8	1.3	-22.3
FI All Duration Govt	227	0.0	3.7	-0.7	-1.0	0.3	1.1
FI (Broad)	370	6.0	1.8	-2.5	-12.1	0.0	19.2
Other	494	2.3	1.9	-0.9	2.5	-1.0	-6.0
Fixed Income (Total) Ex. Foreign Invest.	3,774	32	-1	-2	-33	-2	-113

(*) Preliminary data, up to Wednesday.

Source: Economática

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Exhibit 12: Foreign flow to B3 (R\$bn), Aug-22 to Jul-23

Flows were positive in June

Month	Futures	Cash	IPO/follow-on	TOTAL
Aug-22	(3)	16	-	13
Sep-22	(3)	(0)	1	(3)
Oct-22	(3)	14	-	11
Nov-22	5	3	-	8
Dec-22	(4)	14	1	12
Jan-23	6	13	-	19
Feb-23	(9)	(2)	-	(11)
Mar-23	(2)	(2)	2	(3)
Apr-23	3	3	1	6
May-23	(6)	(4)	0	(10)
Jun-23	(7)	10	-	3
Jul-23	1	0	-	1
12M Cumulative	(22)	64	5	47
2023 YTD	(14)	17	3	6
2022	(2)	101	17	116
2021	27	(7)	44	64

Source: B3, Bloomberg

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Global flows**Exhibit 13: Cumulative flows into EM equity funds (US\$bn), 2018-2023**

EM flows were positive this week. US\$66bn YTD.



Source: EPFR

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Exhibit 14: Weekly flows to LatAm and EM funds (US\$mnn)

EM flows were positive this week. US\$66bn YTD.

Region	% Current		% Current		% Current	
	Week	Assets	4 Weeks	Assets	YTD	Assets
LatAm	(25)	-0.3%	160	1.7%	286	3.0%
Brazil	230	1.4%	726	4.4%	(171)	-1.0%
Mexico	45	0.5%	45	0.5%	310	3.1%
Argentina	(0)	0.0%	11	15.6%	25	36.2%
Andean	2	0.1%	(39)	-1.2%	(113)	-3.6%
LatAmTotal	252	0.6%	904	2.3%	338	0.9%
China	(1,108)	-0.1%	1,997	0.1%	39,951	2.6%
EM Total	(838)	-0.1%	3,940	0.3%	66,422	4.4%

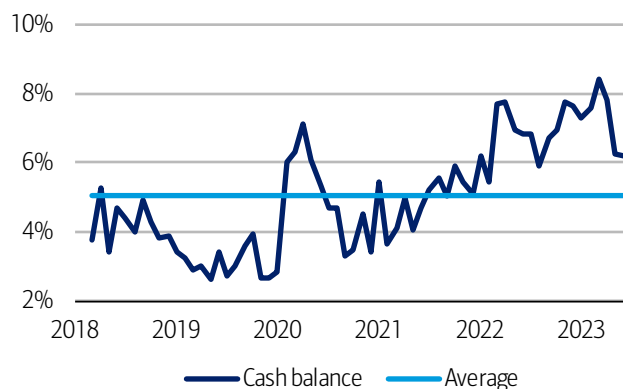
Source: EPFR

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LatAm positioning

Exhibit 15: Average cash position (2018-2023)

Cash levels at 6.2% in Jun-23, above hist avg (5%).

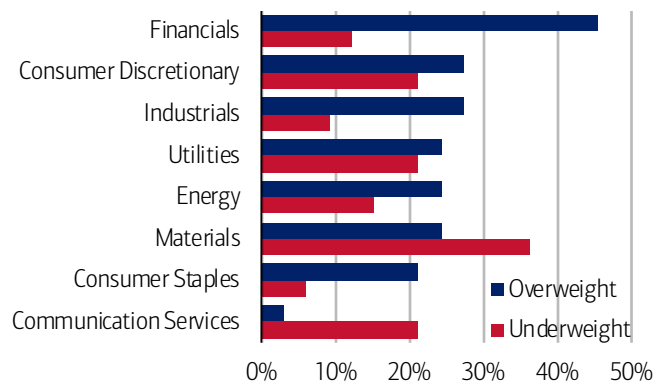


Source: LatAm Fund Manager Survey

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Exhibit 16: Which sectors among equities are you most underweight?

Participants are more underweight Materials and Communication than they are overweight.



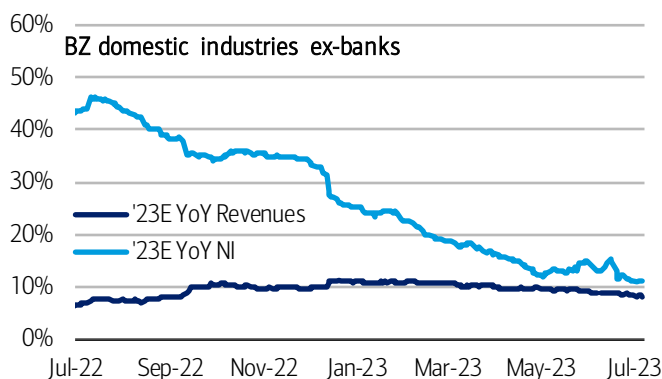
Source: LatAm Fund Manager Survey

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Consensus Earnings Revisions for Brazil

Exhibit 17: Brazil domestic industries: consensus revised NI downwards but still expected at 11% YoY growth

Brazil domestic industries (ex-banks) revenues vs NI consensus estimates (2023E YoY growth).



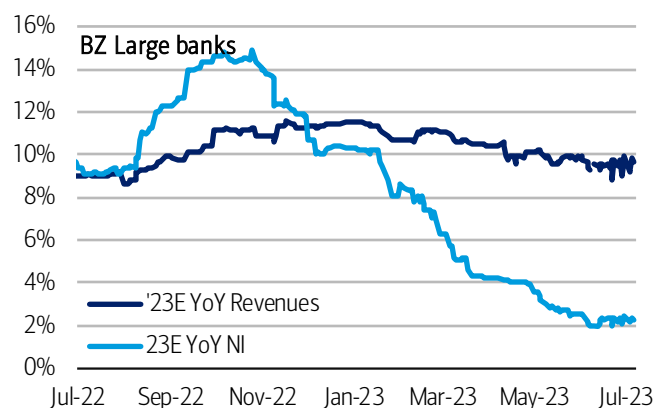
Consensus estimates.

Source: Bloomberg, BofA Global Research

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Exhibit 18: Brazil Banks: consensus revised NI downwards since Nov-22, but still expected at +2% YoY for 2023.

BZ large banks revenues vs NI consensus estimates (2023E YoY growth).



Consensus estimates.

Source: Bloomberg, BofA Global Research

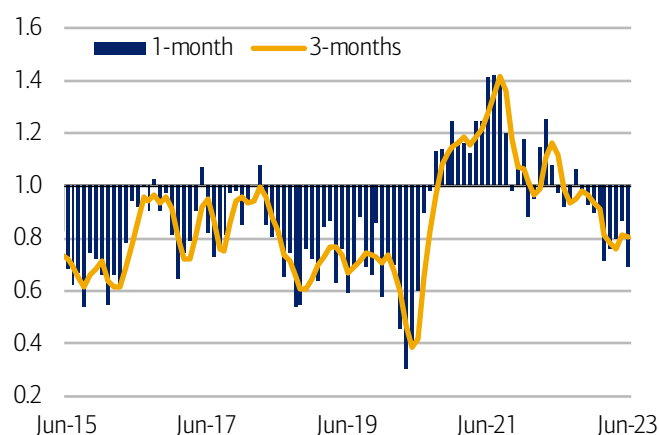
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Earnings Revision Ratio (ERR)

The Earnings Revision Ratio measures the number of revisions for which the consensus EPS estimate has risen versus the number for which it has fallen.

An ERR above 1 means more upwards revisions than downwards revisions. However, historically analysts tend to start overly optimistic and do more downwards revisions down the line. As a result, **the overall historical average of the 3-month ERR is close to 0.8**

Exhibit 20: LatAm Earnings Revision Ratio (June 2015- June 2023)
3-month ERR at 0.7 in Jun-23, lowest since Aug 2020.

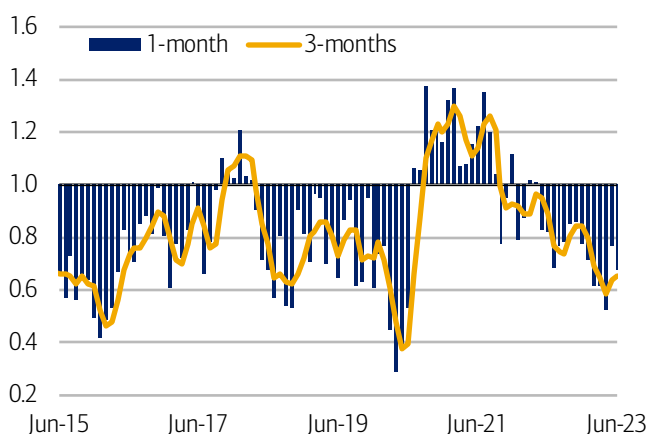


Source: BofA Global Research, Factset, Bloomberg

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Exhibit 22: Brazil Earnings Revision Ratio (June 2015- June 2023)

Brazil 3-month ERR is improving for high beta sectors such as C. Discretionary, IT and industrials



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 19: LatAm 3-month ERR – country details

Brazil 3-month ERR at 0.7 in Jun-23.

LatAm countries	12m Avg	Apr-23	May-23	Jun-23	1M Chg in 3M ERR
Argentina	2.0	2.0	3.0	4.9	1.88
Brazil	0.7	0.6	0.6	0.7	0.02
Chile	1.0	0.6	0.7	0.7	-0.02
Colombia	0.9	0.7	0.7	0.6	-0.12
Mexico	1.1	1.0	1.1	1.1	-0.04
Peru	0.8	0.8	0.7	0.7	0.00
LatAm	0.9	0.8	0.8	0.8	-0.01

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 21: LatAm 3-month ERR – sector details

IT shows the highest ERR (1.6).

LatAm sectors	12m Avg	Apr-23	May-23	Jun-23	1M Chg in 3M ERR
C. Discretionary	0.8	0.7	0.7	0.8	0.08
C. Staples	0.9	0.8	0.8	0.9	0.05
Energy	1.1	0.7	0.8	0.8	0.02
Financials	1.6	1.3	1.2	1.2	0.00
Health Care	0.4	0.3	0.4	0.3	-0.04
Industrials	1.0	0.8	0.8	0.8	0.01
IT	1.2	0.7	1.2	1.6	0.43
Materials	0.7	0.7	0.8	0.7	-0.11
Real Estate	1.1	0.6	0.8	0.6	-0.14
Communication	0.7	0.6	0.6	0.7	0.08
Utilities	1.0	0.8	1.1	1.0	-0.04
LatAm	0.9	0.8	0.8	0.8	-0.01

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 23: Brazil 3-month ERR – sector details

Brazil 3-month ERR is improving for high beta sectors such as C. Discretionary, IT and industrials

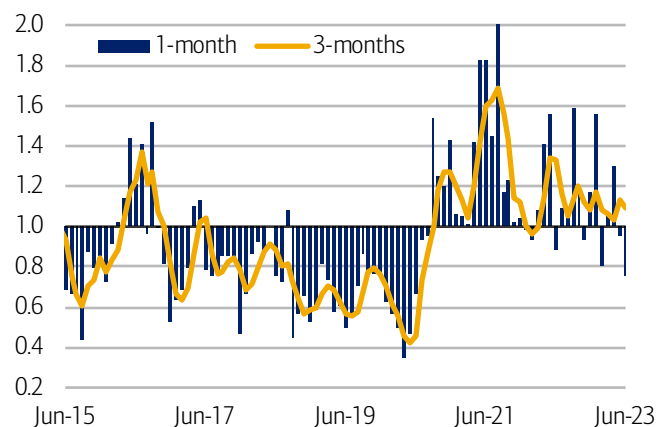
Brazil sectors	12m Avg	Apr-23	May-23	Jun-23	1M Chg in 3M ERR
C. Discretionary	0.5	0.3	0.4	0.5	0.05
C. Staples	0.6	0.3	0.5	0.6	0.12
Energy	1.0	0.8	0.8	0.8	0.03
Financials	1.1	1.1	1.0	1.2	0.20
Health Care	0.4	0.2	0.3	0.3	-0.05
Industrials	0.8	0.6	0.6	0.6	0.01
IT	1.1	0.7	1.3	2.0	0.63
Materials	0.7	0.6	0.5	0.4	-0.12
Real Estate	1.3	0.5	1.0	0.7	-0.27
Communication	1.1	0.7	0.9	1.1	0.20
Utilities	0.9	0.8	0.8	0.8	-0.04
Brazil	0.7	0.6	0.6	0.7	0.02

Source: BofA Global Research, Factset, Bloomberg

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Exhibit 24: Mexico Earnings Revision Ratio (June 2015- June 2023)

3-month ERR above 1 since April 2022.



Source: BofA Global Research, Factset, Bloomberg

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Exhibit 25: Mexico 3-month ERR – sector details

Financials has the highest ERR (1.7 in June).

Mexico sectors	12m Avg	Apr-23	May-23	Jun-23	1M Chg in 3M ERR
C. Discretionary	1.4	1.5	1.4	1.5	0.03
C. Staples	1.6	1.2	1.3	1.2	-0.10
Energy	NA	NA	NA	NA	NA
Financials	3.7	2.1	2.2	1.7	-0.57
Health Care	NA	NA	NA	NA	NA
Industrials	1.4	1.1	1.0	1.0	0.00
IT	NA	NA	NA	NA	NA
Materials	0.7	1.0	1.2	1.1	-0.03
Real Estate	1.0	0.5	0.5	0.5	0.01
Communication	0.5	0.3	0.4	0.4	-0.05
Utilities	NA	NA	NA	NA	NA
Mexico	1.1	1.0	1.1	1.1	-0.04

Source: BofA Global Research, Factset, Bloomberg

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ERR methodology

The Earnings Revision Ratio (ERR) is calculated as follows: $ERR = \frac{\# \text{Up Revisions}}{\# \text{Down Revisions}}$, where:

Up Revisions = All instances when an analyst revises an estimate up.

Down Revisions = All instances when an analyst revises an estimate down.

We look at 1-Month and 3-Month ERRs; the former may anticipate market turns, while the latter is less volatile. Each company may contribute more than once as the total number of analyst revisions are considered. A company covered by several analysts will have a higher weight in the ratio.

The considered universe is composed of all companies within our current LatAm Coverage countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru). A company will be included in the sample if at least one of the following variables is listed as one of said countries: country of risk, country of incorporation, country of registration, country of Headquarters, and country of top revenue. Panama's Copa Holdings is the only exception to the rule and was also added to the sample. Number of companies with at least one revision in the last 12 months: Argentina: 35, Brazil: 185, Chile: 37, Colombia: 20, Mexico: 106, Peru: 19.

Stock screens

Exhibit 26: Value screen

Within this screen, Oil & Gas Producers and Retailing-Broadline/Department Stores have the best performance YTD.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2021E	P/E 2022E	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	3.5	3.8	0.5	6%	21%
Petro-Rio	BZ	Oil & Gas Producers	PRI03 BZ	HRTPF	5.8	3.9	1.8	11%	3%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	4.1	4.5	1.4	-1%	-12%
YPF SA	AR	Oil & Gas Producers	YPF US	YPF	5.2	4.6	1.8	13%	53%
Usiminas	BZ	Steels	USIM5 BZ	USSPF	7.8	5.6	0.1	0%	3%
Metalurgica Gerdau	BZ	Steels	GOAU4 BZ	MZGPF	3.6	5.7	0.4	4%	-7%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	5.4	6.0	0.4	-4%	-27%
COPASA	BZ	Water Utilities	CSMG3 BZ	CSAOF	6.7	6.2	1.4	-1%	29%
Cemig	BZ	Electric Utilities	CMIG4 BZ	CEMCF	6.5	6.4	1.4	3%	12%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	6.4	6.5	1.6	-2%	14%
Copa	CO	Airlines	CPA US	CPA	7.2	6.7	0.8	-1%	31%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	7.7	6.9	1.7	-10%	-40%
Ternium	MX	Steels	TX US	TX	5.9	7.1	-1.0	-3%	31%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	7.9	7.2	0.8	-1%	-9%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	4.8	7.3	0.4	2%	-9%
SQM	CL	Fertilizers	SQM US	SQM	6.5	7.4	0.0	5%	-7%
Cyrela	BZ	Homebuilders	CYRE3 BZ	XCBMF	9.4	8.0	0.5	2%	52%
GMexico	MX	Non-Ferrous-Mining	GMEXICOB MM	GMBXF	11.1	8.1	0.3	-3%	19%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	8.6	8.7	1.6	17%	7%
Sao Martinho	BZ	Food-Commodities	SMT03 BZ	SRTOF	8.6	8.8	1.6	-11%	26%
Median								0%	10%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio below MSCI LatAm median P/E. Net Debt/EBITDA <2 (this condition is ignored for Financials). If results exceed 20 companies, those with the lowest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are not part of the screening criteria.

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Exhibit 27: Growth screen

Many traditional retail and e-commerce names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	P/E 2022E	Div. Yield 2022E	30D Performance (local crncy)	YTD Performance (local crncy)
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	116.7	0%	-21%	15%
Mercado Libre	BZ	Internet/e-Commerce	MELI US	MELI	47.5	0%	-8%	36%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	44.8	0%	15%	18%
Energisa	BZ	Utilities-Other	ENGI11 BZ	XLXGF	44.5	2%	12%	14%
CBD	BZ	Supermarkets/Food Retailers	PCAR3 BZ	GPSAF	44.1	0%	16%	22%
Raia Drogasil	BZ	Drug Store Chains	RADL3 BZ	RAIAF	30.2	1%	-1%	23%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	27.7	0%	8%	43%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	27.2	2%	-3%	-4%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	24.7	0%	-2%	20%
Pampa energia	AR	Oil & Gas Producers	PAM US	PAM	23.4	0%	0%	28%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	22.2	0%	16%	-7%
TOTVS	BZ	Server & Enterprise Software	TOTS3 BZ	XBEGF	20.7	1%	1%	8%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTF	19.5	0%	4%	50%
Falabella	CL	Retailing-Broadline/Department Stores	FALAB CI	XDIYF	18.6	1%	8%	19%
Dexco	BZ	Forest Products	DXCO3 BZ	DURXF	17.6	1%	-11%	17%
Bimbo	MX	Bakers	BIMBOA MM	GRBMF	17.6	1%	-4%	8%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	17.1	1%	5%	3%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	16.9	1%	2%	30%
Median							3%	19%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. 2021E and 2022E fwd P/E ratio above MSCI LatAm median P/E. Dividend yield (2022E) below MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest 2022E P/E ratio are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

BofA GLOBAL RESEARCH

Exhibit 28: High dividend screen

This screen encompasses many utilities and banks.

Company	Country	Industry	BBG Ticker	BofA Ticker	Div. Yield 2023E	30D Performance (local crncy)	YTD Performance (local crncy)
Petrobras PN	BZ	Oils	PETR4 BZ	PTRBF	23.3	6%	21%
Ecopetrol	CO	Oil & Gas Producers	ECOPETL CB	XESSF	20.9	-1%	-12%
Bradespar	BZ	Non-Ferrous-Mining	BRAP4 BZ	BRDQF	19.1	-2%	-26%
Banco de Chile	CL	Banks-Retail	CHILE CI	XHNDF	13.0	-4%	-6%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	10.7	-3%	-6%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	10.5	-8%	-16%
TAESA	BZ	Electric Utilities	TAEE11 BZ	XTAEF	10.4	-1%	7%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	10.0	1%	-7%
Banco do Brasil	BZ	Banks-Retail	BBAS3 BZ	XBBAF	10.0	8%	41%
Minerva	BZ	Food Processors	BEEF3 BZ	MRVSF	9.6	-2%	-19%
Gerdau	BZ	Steels	GGBR4 BZ	GGBUF	9.2	2%	-9%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	9.0	17%	7%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	8.8	-2%	14%
SQM	CL	Fertilizers	SQM US	SQM	8.7	5%	-7%
Adecoagro	AR	Food-Commodities	AGRO US	AGRO	8.7	-3%	13%
Fibra Uno	MX	REITs	FUNO11 MM	FBASF	8.4	-1%	8%
Vale ON	BZ	Non-Ferrous-Mining	VALE3 BZ	VALEF	8.3	-4%	-27%
Engie	BZ	Electric Utilities	EGIE3 BZ	XZDDF	7.9	2%	18%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	7.4	15%	54%
Median						-1%	-6%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Dividend yield

(2022E) above MSCI LatAm dividend yield. If results exceed 20 companies, those with the highest dividend yield are selected. Fundamental ratings are not part of the screening criteria. This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

BofA GLOBAL RESEARCH

Exhibit 29: Defensive screen

Many bond proxies, Utilities, Soft Drinks and Telecom.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Soriana	MX	Supermarkets/Food Retailers	SORIANAB MM	ONZBF	0.1	1.6	-6%	-9%
Copa	CO	Airlines	CPA US	CPA	0.2	0.8	-1%	31%
Vivo	BZ	Telecom Equipment-Wireless/Cellular	VVT3 BZ	XCPTF	0.4	0.7	0%	11%
Liverpool Puerto	MX	Retailing-Broadline/Department Stores	LIVEPOLC MM	ELPQF	0.4	0.8	-1%	-9%
Alpek	MX	Chemicals-Major	ALPEKA MM	ALPKF	0.4	1.7	-10%	-40%
AmBev	BZ	Brewers	ABEV3 BZ	AVBPF	0.4	-0.4	0%	2%
Arca	MX	Soft Drinks	AC* MM	EMBVF	0.4	0.5	-2%	11%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	0.4	NA	1%	-7%
Qualitas	MX	Insurance - Non-Life	Q* MM	QUCOF	0.4	NA	12%	55%
Danhos	MX	REITs	DANHOS13 MM	GRFFF	0.4	1.7	-3%	-6%
Auren Energia	BZ	Electric Utilities	AURE3 BZ	XZMXF	0.5	1.3	0%	-3%
Coca-Cola FEMSA	MX	Soft Drinks	KOFUBL MM	COCSF	0.5	0.9	-5%	7%
Coca-Cola Andina	CL	Soft Drinks	ANDINAB CI	AKOBF	0.5	1.8	2%	1%
Gruma	MX	Food Producers	GRUMAB MM	GPAGF	0.5	2.0	2%	8%
TIM	BZ	Telecom Services-Wireless/Cellular	TIMS3 BZ	XZUAF	0.5	1.4	-1%	14%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	0.5	NA	-8%	-17%
CPFL Energia	BZ	Electric Utilities	CPFE3 BZ	XPFGF	0.5	1.6	17%	7%
Sanepar	BZ	Water Utilities	SAPR11 BZ	XJALF	0.6	1.6	-2%	14%
Grupo BMV	MX	Other Financials	BOLSAA MM	BOMXF	0.6	NA	-8%	-8%
WEG	BZ	Industrials/Multi-Industry	WEGE3 BZ	WGSEF	0.6	-0.3	-3%	-4%
Median							-1%	2%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials).

Beta relative to the local index <0.9. If results exceed 20 companies, those with the lowest beta are selected. Fundamental ratings are not part of the screening criteria.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

BofA GLOBAL RESEARCH

Exhibit 30: High Beta screen

Several financials and Real Estate names in this screen.

Company	Country	Industry	BBG Ticker	BofA Ticker	Beta	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
GOL	BZ	Airlines	GOLL4 BZ	XGOLF	2.4	7.5	22%	62%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	2.0	4.1	-21%	15%
Banco inter	BZ	Banks-Retail	INTR US	INTR	2.0	NA	-13%	21%
Cemex	MX	Building Materials	CX US	CX	1.9	2.7	-2%	62%
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTf	1.7	3.7	4%	50%
Estacio	BZ	Education & Training Services	YDUQ3 BZ	ECPCF	1.7	2.8	24%	96%
B3 SA	BZ	Financial Services-Consumer/Commercial	B3SA3 BZ	XIMAF	1.6	NA	-2%	7%
Volaris	MX	Airlines	VOLARA MM	XSOBF	1.6	5.0	-8%	42%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	1.5	NA	8%	29%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	1.4	2.6	-6%	-4%
CSN	BZ	Steels	CSNA3 BZ	SIDHF	1.4	3.1	-8%	-16%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	1.3	NA	-8%	21%
Cosan	BZ	Energy Commodities	CSAN3 BZ	CSAIF	1.3	2.2	7%	7%
CBD	BZ	Supermarkets/Food Retailers	PCAR3 BZ	GPSAF	1.3	3.8	16%	22%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	1.3	4.6	8%	43%
Embraer	BZ	Aerospace	ERJ US	ERJ	1.3	2.8	-5%	38%
Localiza	BZ	Car Rental	RENT3 BZ	LZRFF	1.3	5.5	2%	30%
DASA	BZ	Healthcare Technology & Distribution	DASA3 BZ	DIAOF	1.3	5.5	16%	-7%
Aliansce	BZ	Real Estate/Property	ALSO3 BZ	XCCGF	1.3	6.5	9%	47%
Median							0%	25%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA >2 (this condition is ignored for Financials). Beta relative to the local index >1.1. If results exceed 20 companies, those with the highest beta are selected. Fundamental ratings are not part of the screening criteria.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Exhibit 31: List of stocks within our coverage most discounted to historicals

Commodity exporters with large earnings this and next year have depressed ratios, as well as many financial names.

Company	Country	Industry	BBG Ticker	BofA Ticker	Discount to hist.	Current Valuation	10-Year Avg. Valuation	Net Debt/EBITDA	30D Performance (local crncy)	YTD Performance (local crncy)
Cogna	BZ	Education & Training Services	COGN3 BZ	KROTf	-85%	19.5	134.1	3.7	4%	50%
Eneva	BZ	Electric Utilities	ENEV3 BZ	XZUMF	-79%	10.2	48.3	6.8	5%	3%
Televisa	MX	Cable TV	TLEVICPO MM	GRPFF	-78%	2.3	10.3	2.6	-6%	-4%
Rumo Logistica	BZ	Rail Transport/Railroads	RAIL3 BZ	RUMOF	-68%	24.7	76.5	2.5	-2%	20%
Embraer	BZ	Aerospace	ERJ US	ERJ	-67%	7.1	21.9	2.8	-5%	38%
Cementos Argo	CO	Building Materials	CEMARGOS CB	XGSAF	-58%	5.0	12.0	3.2	-7%	-9%
Cielo	BZ	Financial Services-Consumer/Commercial	CIEL3 BZ	CIOXF	-58%	5.6	13.3	NA	-4%	-15%
Gentera	MX	Banks-Retail	GENTERA* MM	CMPRF	-56%	1.2	2.7	NA	-8%	-17%
Natura	BZ	Cosmetics/Personal Care	NTCO3 BZ	XZVAF	-55%	1.0	2.1	4.6	8%	43%
Volaris	MX	Airlines	VOLARA MM	XSOBF	-53%	4.4	9.2	5.0	-8%	42%
Brasil Foods	BZ	Food Processors	BRFS3 BZ	BRFFF	-47%	4.8	9.1	5.7	9%	14%
Alfa	MX	Industrials/Multi-Industry	ALFAA MM	ALFFF	-43%	5.8	10.3	2.7	-8%	-14%
Magazine Luiza	BZ	Retailing-Hardlines	MGLU3 BZ	MGZZF	-43%	0.7	1.2	4.1	-21%	15%
BTG Pactual	BZ	Banks-Retail	BPAC11 BZ	XNXCF	-43%	15.1	26.2	NA	8%	29%
Bradesco	BZ	Banks-Retail	BBDC4 BZ	BRDPF	-41%	1.1	1.9	NA	-3%	7%
GFINbursa	MX	Banks-Retail	GFINBURO MM	GPFOF	-41%	8.7	14.6	NA	-8%	21%
Omega Geração	BZ	Renewable Energy	MEGA3 BZ	XZQAF	-40%	44.8	74.3	7.5	15%	18%
BB Seguridade	BZ	Insurance - Multi-line	BBSE3 BZ	XBDPF	-39%	8.0	13.2	NA	1%	-7%
Banrisul	BZ	Banks-Retail	BRSR6 BZ	XGRBF	-39%	0.6	1.0	NA	15%	54%
Median									-3%	14%

Source: BofA Global Research, Bloomberg

Stocks are selected from our LatAm universe of coverage regardless of the rating. Stocks must have at least 5y of trading. Screen criteria: Mkt Cap>US\$1bn. Net Debt/EBITDA <2 (this condition is ignored for Financials). Valuation ratio < 10y hist avg (or longest available). Valuation ratios are chosen according to a company's sector: for Materials, Energy, Airlines and C. Staples EV/EBITDA is used; for Retail EV/Sales is used; for Financials Price/Book Value is used. For remaining sectors Price/Earnings is used. If results exceed 20 companies, those with the greatest discounts to historicals are selected.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision. Fundamental ratings are shown only for information and are not part of the screening criteria

BofA GLOBAL RESEARCH

Stock screens methodology

Our monthly screens are a quantitative approach for monitoring performance across several investment strategies. The screens are generated through a quantitative process, using consensus projections and historical data. There are two main steps to the selection process: filtering and ranking. For each screening process, filter criteria is applied first, then resulting assets are ranked according to the core variable for each strategy. Each month, we select and rank the 20 stocks that best fit the screen criteria. The stocks are selected from our universe of coverage in LatAm regardless of the rating but must have a market cap above US\$1bn.

There are 5 different screens: Growth, Value, Dividends, Defensive and High Beta. Our Growth screen looks for companies with high projected growth that reinvests free cash flow. Our Value screen looks for companies with low or moderate leverage that are trading at a discounted valuation. The Dividends screen looks for companies with high dividend yields, supported by low moderate leverage. Defensive screen looks for assets with solid performance and lowest volatility while High beta screen looks for market-dependent assets with high leverage and volatility. We also provide a list of stocks within our coverage that are most discounted to historicals.

Out-of-consensus

Our out-of-consensus rank identifies companies where our estimates most diverge from consensus, according to EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective. Details on how the views are ranked at the end of this section.

Our out of consensus highlights can fall in one of the following categories:

Out of consensus in an upwards direction: stocks with a positive out of consensus Rank and BofA Buy rating, but less than 50% Buy ratings from consensus.

Out of consensus in a downwards direction: stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

Exhibit 32: Top out of consensus stocks

Buy-rated stocks with a positive out of consensus ranking. 3 buy-rated stocks according to BofA are not buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap USDmn	Rank	BofA Rating	Consensus Rating			EPS Crncy	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Coca-Cola Femsa	KOFUBL MM	COCSE	C. Staples	17,137	10.0	BUY	29%	64%	7%	MXN	10.5	9.0	12.7	10.4
Grupo Aeroportuario	ASURB MM	ASRMF	Industrials	8,304	9.9	BUY	71%	18%	12%	MXN	40.2	34.4	44.3	38.2
Magazine Luiza	MGLU3 BZ	MGZZF	C. Discretionary	4,346	9.8	BUY	35%	65%	0%	BRL	0.0	-0.1	0.1	0.0
Arca	AC* MM	EMBVF	C. Staples	17,714	9.6	BUY	68%	26%	5%	MXN	11.9	10.2	14.0	11.5
Vitru Limited	VTRU US	VTRU	C. Discretionary	536	9.5	BUY	86%	14%	0%	BRL	8.9	6.7	14.0	10.0
TOTVS	TOTS3 BZ	XBEGF	IT	3,762	9.3	BUY	80%	20%	0%	BRL	1.1	1.0	1.6	1.4
Vibra Energia SA	VBBR3 BZ	XUBRF	C. Discretionary	4,225	8.3	BUY	93%	7%	0%	BRL	2.6	1.4	3.5	2.0
Petro Rio	PRI03 BZ	HRTPF	Energy	6,870	8.2	BUY	94%	6%	0%	USD	1.5	1.4	2.7	2.0
Cuervo	CUERVO* MM	BCCLF	C. Staples	8,502	8.0	BUY	77%	23%	0%	MXN	2.1	1.9	2.7	2.3
Natura &Co	NTCO3 BZ	XZVAF	C. Staples	4,666	7.9	BUY	38%	62%	0%	BRL	-0.3	-0.4	0.1	0.6
YDUQS	YDUQ3 BZ	ECPCF	C. Discretionary	1,254	7.7	BUY	67%	33%	0%	BRL	1.3	0.9	1.8	1.6
VTEX	VTEX US	VTEX	Telecom	872	7.6	BUY	50%	50%	0%	USD	0.0	-0.1	0.1	0.1
Afya Limited	AFYA US	AFYA	C. Discretionary	1,278	7.4	BUY	67%	33%	0%	BRL	7.2	5.6	8.2	7.3
Hapvida	HAPV3 BZ	XDUFF	Health Care	6,550	7.3	BUY	79%	21%	0%	BRL	0.1	0.0	0.2	0.2

Highlighted rows: Out of consensus in an upwards direction. Stocks with a positive out of consensus Rank and BofA and a Buy rating, but less than 50% Buy ratings from consensus.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 33: Bottom out of consensus stocks

Neu/und-rated stocks with a negative out of consensus ranking. 8 NEU/UND rated stocks according to BofA are buy-rated by most of consensus (highlighted).

Company name	BBG ticker	BofA ticker	Sector	Market Cap USDmn	Rank	BofA Rating	Consensus Rating			EPS CmcY	2023 EPS		2024 EPS	
							Buy	Hold	Sell		BofA	Cons.	BofA	Cons.
Liverpool	LIVEPOLC MM	ELPQF	C. Discretionary	8,693	-10.0	UND	47%	40%	13%	MXN	11.4	13.3	12.4	14.5
Cencosud	CENCOSUD CI	XCSCF	C. Staples	5,728	-9.9	NEU	77%	15%	8%	CLP	172.9	205.6	189.7	242.8
Even	EVEN3 BZ	EVCNF	C. Discretionary	298	-9.7	UND	44%	44%	11%	BRL	0.8	0.7	0.6	1.0
Alsea	ALSEA* MM	ALSSF	C. Discretionary	2,710	-9.6	UND	68%	21%	11%	MXN	1.8	2.7	2.3	3.7
M. Dias Branco	MDIA3 BZ	XDMIF	C. Staples	2,993	-9.5	UND	60%	30%	10%	BRL	2.0	2.3	2.9	3.8
CBD	PCAR3 BZ	GPSAF	C. Staples	1,107	-8.9	UND	42%	50%	8%	BRL	-2.5	-1.0	-0.8	0.5
Cyrela Brazil	CYRE3 BZ	XCBMF	C. Discretionary	1,617	-8.8	UND	81%	13%	6%	BRL	2.1	2.1	1.6	2.5
CCR	CCRO3 BZ	CDCRF	Industrials	5,580	-8.6	UND	69%	15%	15%	BRL	0.7	0.7	0.9	0.9
Cemig	CMIG4 BZ	CEMCF	Utilities	6,347	-7.9	NEU	0%	100%	0%	BRL	1.6	1.9	1.7	2.0
CVC	CVCB3 BZ	CVCBF	C. Discretionary	293	-7.8	UND	0%	67%	33%	BRL	-1.3	-1.2	-0.5	-0.4
Adecoagro	AGRO US	AGRO	C. Staples	1,008	-7.5	UND	43%	29%	29%	USD	1.0	1.0	0.9	1.0
Itau Unibanco	ITUB4 BZ	ITUBF	Financials	53,085	-7.4	NEU	79%	21%	0%	BRL	3.5	3.6	3.9	4.0
CTEEP	TRPL4 BZ	XOOTF	Utilities	3,731	-7.1	UND	13%	73%	13%	BRL	2.1	2.0	2.2	2.5
Randon	RAPT4 BZ	RPRTF	Industrials	748	-6.8	NEU	70%	30%	0%	BRL	1.4	1.4	1.3	1.7
Lojas Renner SA	LREN3 BZ	LORPF	C. Discretionary	3,889	-6.6	UND	63%	31%	6%	BRL	1.0	1.2	1.1	1.5

Highlighted rows: Out of consensus in a downwards direction. Stocks with a negative out of consensus Rank and BofA Neutral/Underperform rating, but more than 50% Buy ratings from consensus.

This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

Source: BofA Global Research, Bloomberg.

BofA GLOBAL RESEARCH

Out-of-Consensus Rank Methodology

Our Out-of-Consensus Rank is a -10;10 scale that measures where BofA analyst estimates are diverging from market consensus. The closer the rank is to the extremes, the farther BofA estimates are from market consensus, which is based on Bloomberg consensus estimates.

For all stocks within our coverage, we look at the following forecasts:

EPS, (current and next year), EBITDA (current and next year), Sales (current and next year), ROE (current and next year) and Price Objective.

For each variable, the z-score is calculated as follows:

$$\text{z-score} = (\text{BofA estimate} - \text{consensus estimate}) / \text{consensus estimate std dev}$$

A z-score will be excluded from the sample if:

- Either BofA or consensus estimate is missing
- Number of estimates that make up the consensus is less than 3.
- Consensus has zero standard deviation
- For EPS, EBITDA and SALES, scores for both years are needed to avoid seasonality. If one year is missing the other will also be excluded.
- Z-score > 5. Such cases are probably because of lack of reliable data.
- ROE z-scores are only considered for financials

A company will be excluded from the sample if:

- Does not have a PO z-score
- It has a PO z-score but does not have a z-score for at least one other variable
- It has a PO z-score but does not have a ROE z-score (financials only)

For each variable, z-scores are ranked and scaled into [-10;10]. The most out of consensus the estimate is, the closer to the range boundaries. The average rank is computed for all companies. For any given company, the average rank will only consider the available variables. The average rank is then re-scaled again from -10 to 10 to obtain the final Out Of Consensus Rank.

This Out-of-Consensus Rank methodology was inspired by [Beat Factor – Global iQanalytics](#)



Disclosures

Important Disclosures

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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