

An aerial photograph of a dam and reservoir. In the foreground, a large, semi-circular concrete structure, possibly a spillway or part of a lock, is visible. Behind it, a long dam with multiple gates stretches across the frame. The reservoir is calm, reflecting the sky. The background shows a dry, hilly landscape with sparse vegetation and a winding road. The overall image has a dark, teal tint.

H2OImos S.A.

July 16, 2023



Meet Our Team



Fiorella Alessandra Huayta Pérez
Economy, UNSLG
Graduate



Jossue Enrique Cueto Ninaja
Administration, UNJBG
Graduate



Mary Ines Espinoza Cordero
Economic Engineering, UNI
9th semester



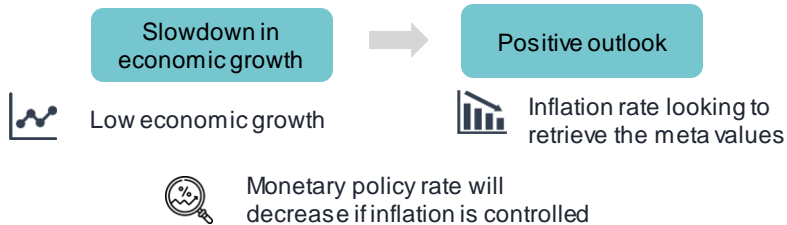
Alvaro Rodrigo Ludeña Vela
International Economy, UNMSM
9th semester



Evelin Nayeli Tupac Cansaya
Economy, UNSA
9th semester

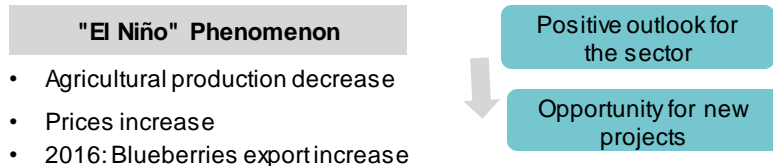
Executive Summary

Macroeconomic Environment



Industry Analysis

Agricultural industry related to the **Off Takers**.



Company Analysis

Main Shareholder: Novonor (Previously Odebrecht)

Project presents 3 phases:

- 1 Water transfer
- 2 Energy production
- 3 Agricultural production

17 Off takers: Top 5 concentrate 71.3% of sales.

3 kinds of financial resources: Debt, Social capital and Payment for capacity.

Credit Risk Analysis



May-23: Stable credit rating (Apoyo & Asociados)

Off Takers credit quality: 54.2% are AA

Risks

Income risk
Inflationary pressures
Limited financing capacity
Reputational risk

Historical Downgrade Reasons

- Uncertainty about sales because of Odebrecht case.
- Quality of the Off Takers.
- Limitation to access financing.

Current Ranking Factors

- Off takers credit rating.
- Service guarantees.
- Financial structure

Mitigation of risks

Guarantees: One year service, mortgage land and assets of users.
Certificates: ISO 37001
Outlooks to take into consideration

Conclusions and recommendations

The company looks for different ways to **mitigate** its risks.

Solid short-term liquidity levels.

DSCR much higher than the minimum.

Z score for 2022 is in gray zone.



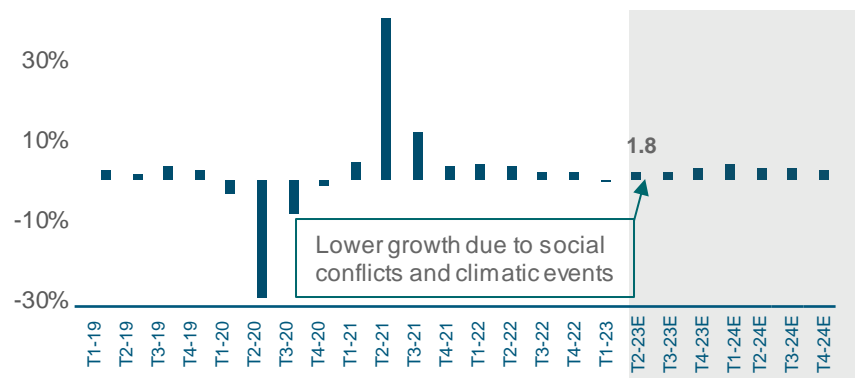
01

Macroeconomic Enviroment

H2OImos S.A.

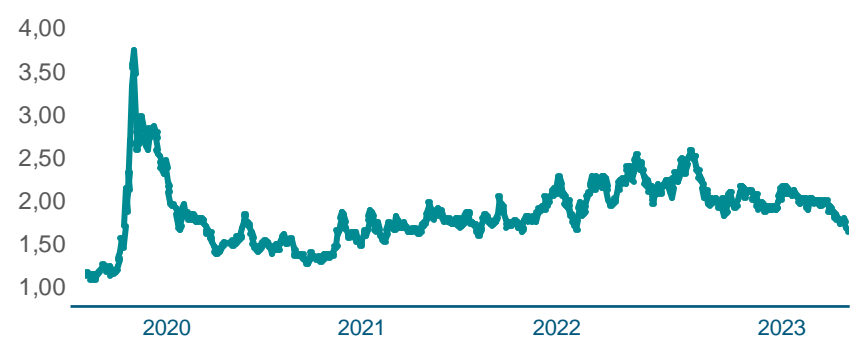
Macroeconomic Environment

Economic growth: Low growth forecast



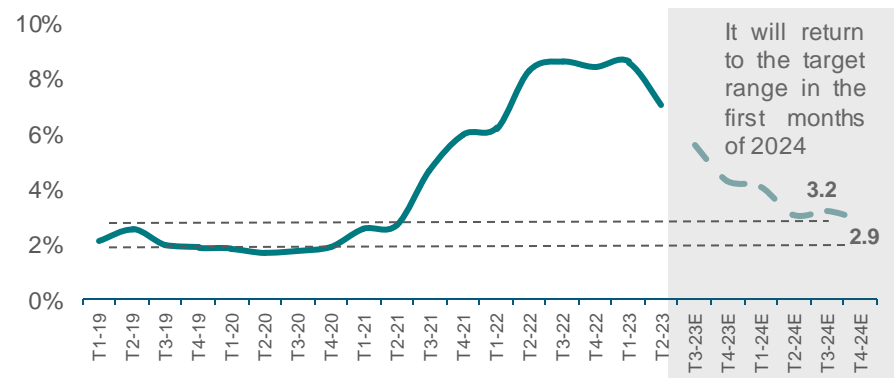
Source: Bloomberg

Country Risk: Reaching the lowest levels of the year



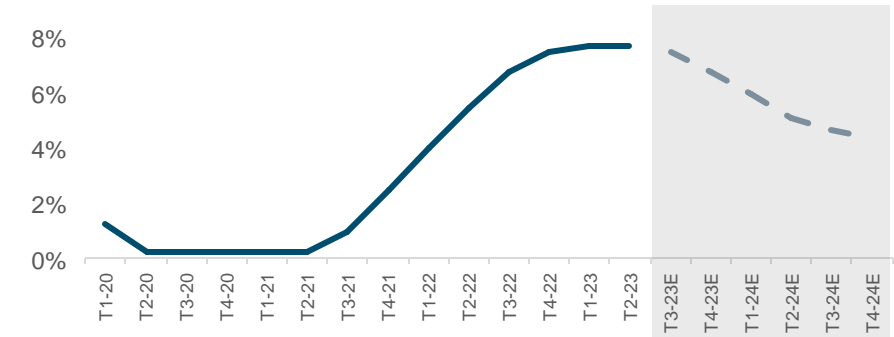
Source: BC Republica Dominicana

Inflation: Looking to retrieve the meta values



Source: Bloomberg

Monetary Policy Rate: Will decrease if inflation is controlled



Source: Bloomberg



02

Industry Analysis

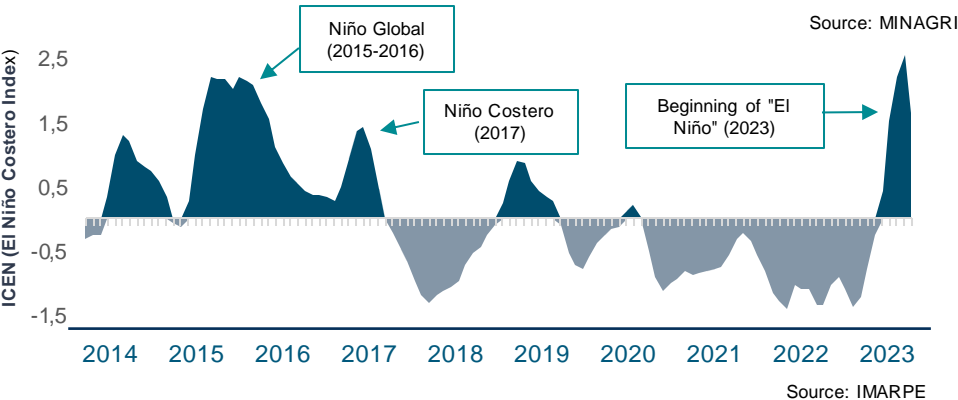
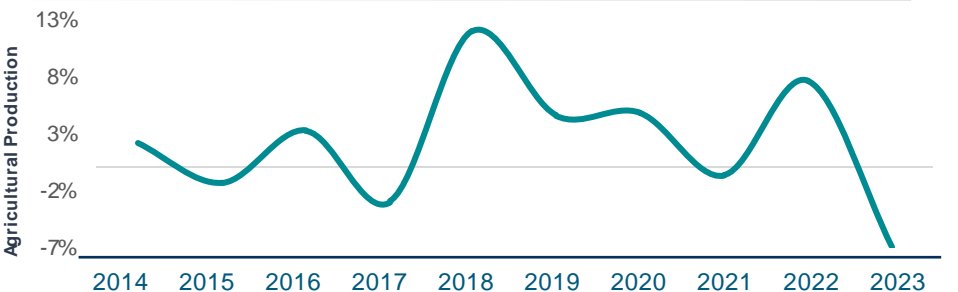
H2OImos S.A.

Key Industry Analysis

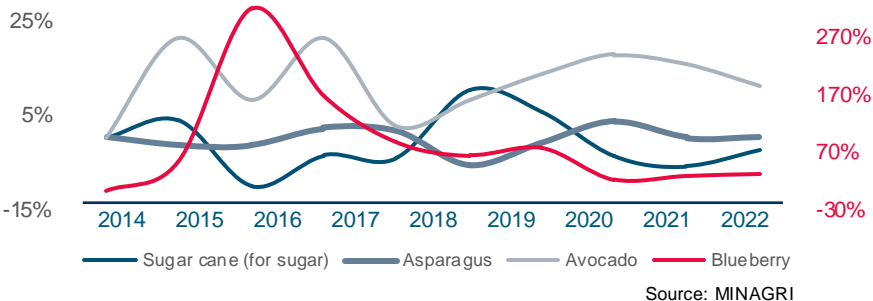


Since all their income depends on off-takers, we have carried out a comprehensive analysis of the evolution of the agricultural industry.

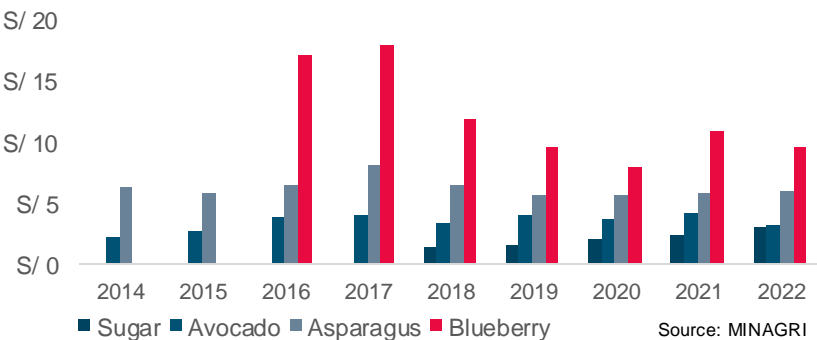
Influence of "El Niño" phenomenon on the agricultural production



Production of Key Agriculture Products



Price of Key Agricultural Products





03

Company Analysis

H2OImos S.A.

Company Analysis

Company established in October 2009, in charge of the Design, Financing, Construction, Operation and Maintenance of the Olmos Irrigation Project. Its shareholders are the Brazilian companies NPI (Novonor) and CNO.

Project Location



H₂Olmos

Source: 2022 Annual Report

About the project



NOVONOR economic group
(previously ODEBRECHT S.A.)



Chiclayo / Puerto de Paita /
Panamericana Norte

Project Phases

Water transfer and Energy production

Transfer of water from the Atlantic to the Pacific slope for irrigation of uncultivated land and hydropower generation.

Agricultural production

Development scope of the Olmos Irrigation project.

17 Off takers: Top 5 concentrate 71.3% of sales.

1 | Agrolmos S.A. - Grupo Gloria



18,638 Ha.
Sugar cane, raw sugar,
cowpea bean

2 | Agrovision Perú S.A.C.



3,022 Ha.
Grapes, blueberries,
asparagus, beans

3 | Complejo Agroindustrial Beta S.A.



2,022 Ha.
Avocados, blueberries

4 | Inversiones Agrícolas Olmos II S.A.C.

2,000 Ha. Mango, avocado

5 | Chimú Agropecuaria S.A.



1,517 Ha.
Lemon, cowpea bean

Financing Sources

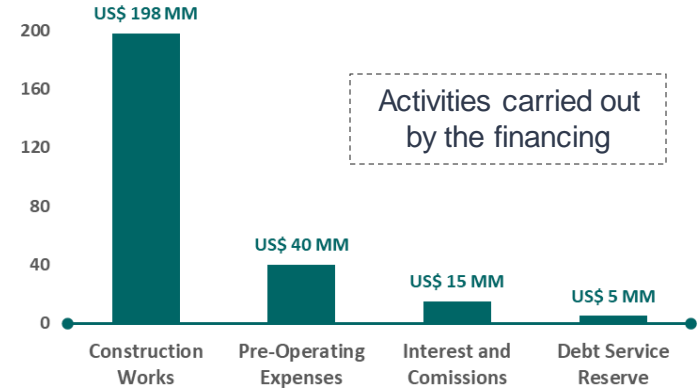
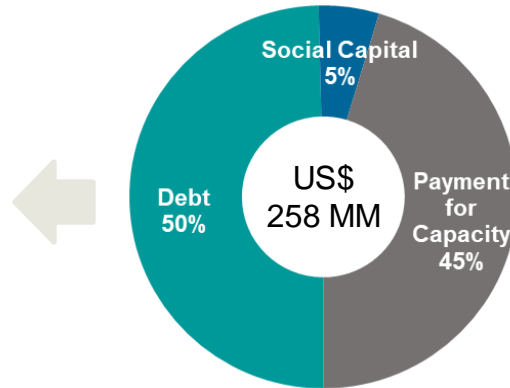
Source: 2022 Annual Report

Debt: Two bond issues

- ① Matured in Oct-18
- ② Maturity in Oct-32

Features:

- Amount placed: US\$ 98MM
- Amount of bonds: 252,840
- Rate: 4.25% + VAC



Covenants and guarantees

Source: Prospecto Marco VF

Covenants

According to financial analysis

- Amount for the execution of the project \geq US\$ 13 MM
- Debt service coverage ratio \geq 1.25x
- Coverage ratio during the term of the bonds \geq 1.3x

Guarantees

Specific Guarantees

- ➡ The creditors trust
- ➡ The movable guarantee
- ➡ The concession mortgage
- ➡ Collection rights for termination of creditors

Exclusive Guarantees

- ➡ The CAF Financial Guarantee
- ➡ The GDS agreement
- ➡ The GDS Corporate Guarantee



04


Credit Risk Analysis

H2OImos S.A.

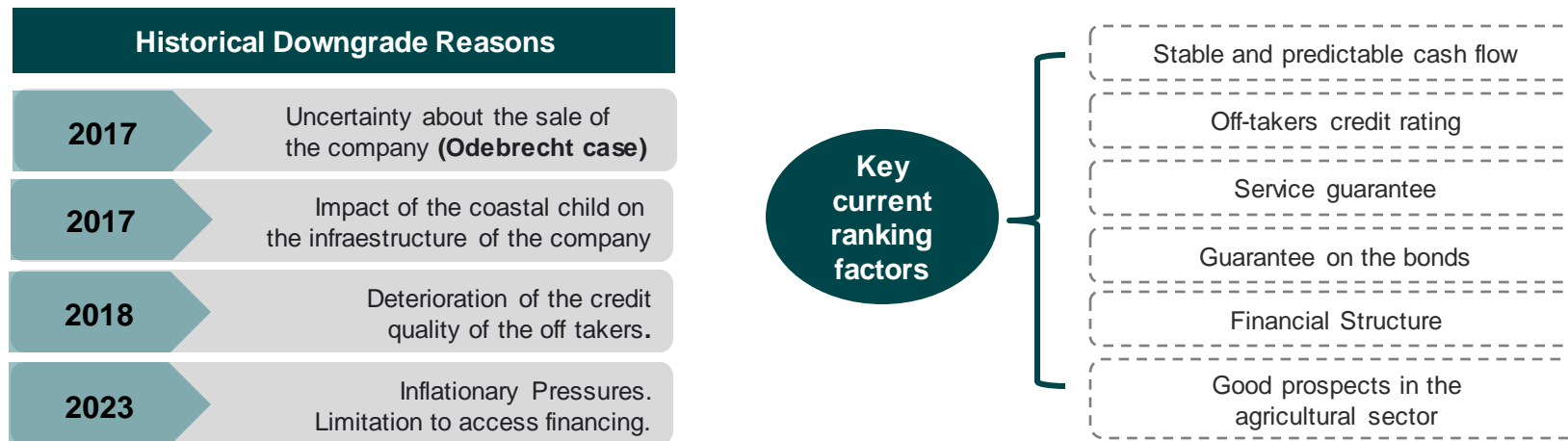
Credit Risk Analysis

Credit Rating

Source: Apoyo & Asociados

		Apoyo & Asociados					Moody's
H2OImos		Dec 2016	Dec 2017	Dec 2018	Dec 2019-2022	May 20 23	May 20 23
	Rating bonos	AAA	AA+	AA	AA	AA	AA-
	Expectation	Stable	Negative	Stable	Stable	Stable	Negative

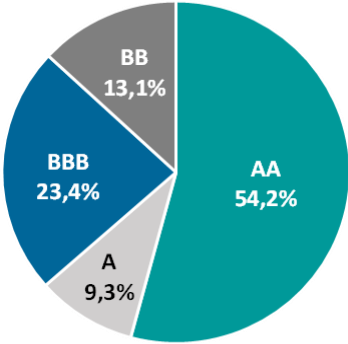
Determining factors in the classification



Credit Risk Analysis

Outlook: Factores críticos

Off Takers Credit Quality



Emergency declaratory in Lambayeque.

Depressed internacional market.

One year service guarantee.

Mortgage on land and assets of users.

Grupo Novonor



Uncertainty about the generation of obligations to pay as a result of judicial processes.

Funding constraints.

Jun 22:
Corte Suprema ratifies participation with the Peruvian State

ISO 37001 Certificate: Management of Anticorruption System.

Inflation Impact on the Financial Ratios

	2023	2024
Financie system	4.90%	3.50%
Economic analysts	4.90%	3.00%
Non financial company	6.00%	4.00%

Increase in financial debt level.

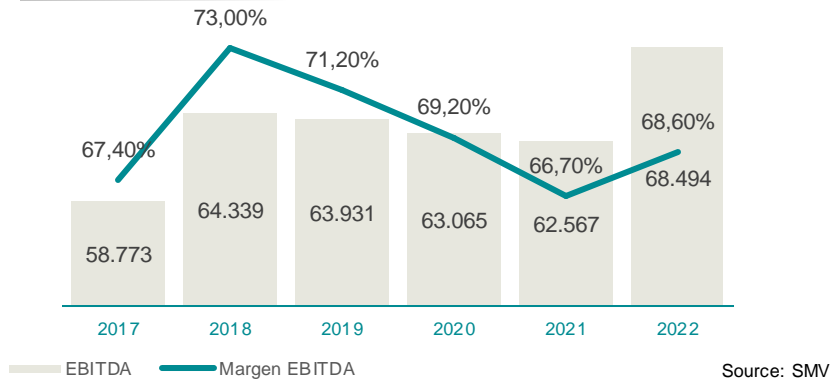
Increase in operating costs.



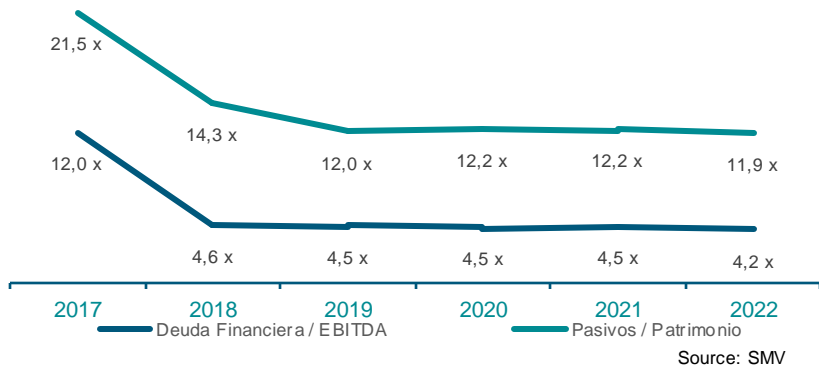
Downgrade expectations on inflation for 2023.

Credit Risk Analysis

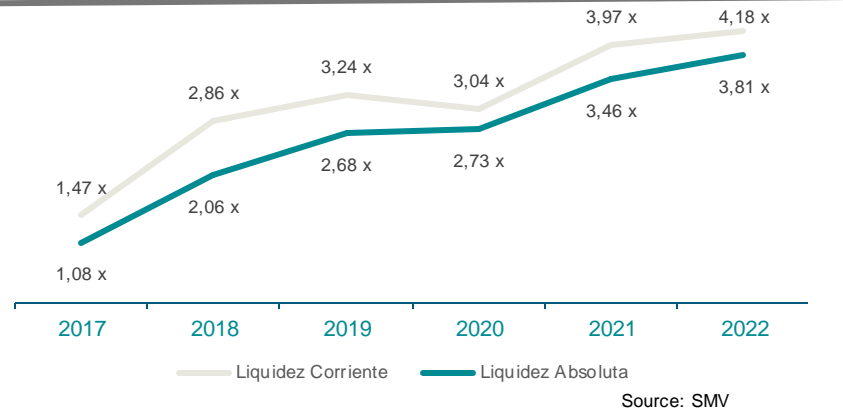
EBITDA (PEN million)



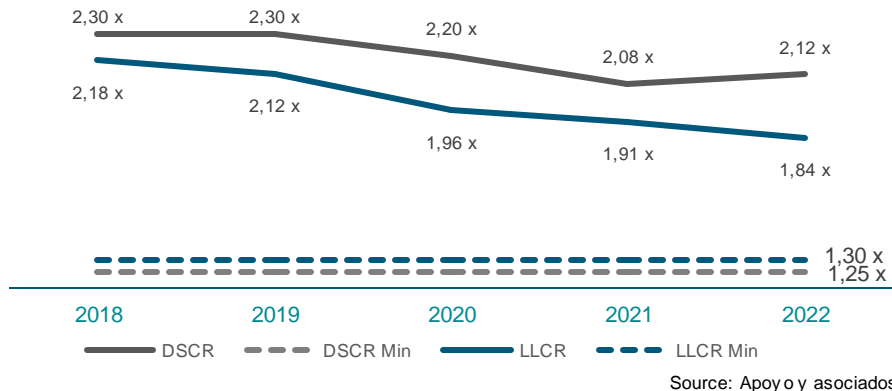
Indebtedness Evolution



Liquidity Ratios

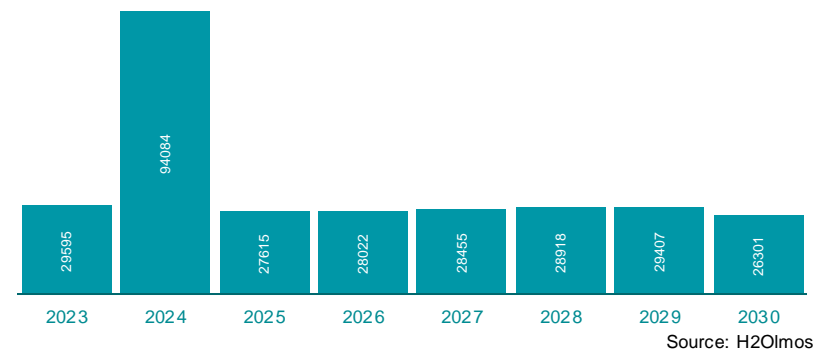


DSCR and LLCR Covenants



Credit Risk Analysis

Debt Services



Altman - Score

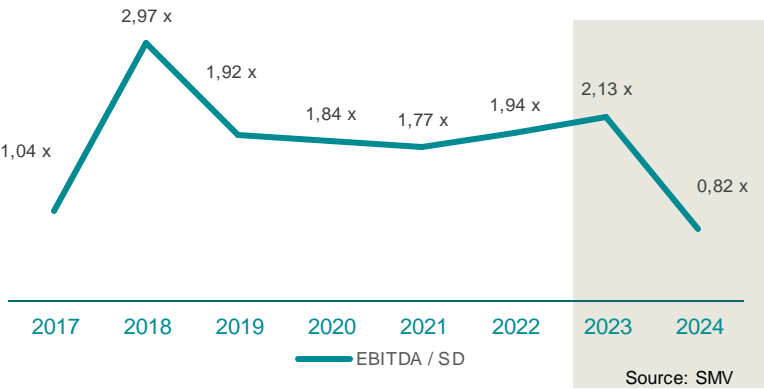
	2017	2018	2019	2020	2021	2022
Zscore	0.64	1.13	1.40	1.49	1.73	2.03
Zone	Distress	Gray	Gray	Gray	Gray	Gray

Formula $6.56 * x_1 + 3.26 * x_2 + 6.62 * x_3 + 1.05 * x_4 = ZScore$

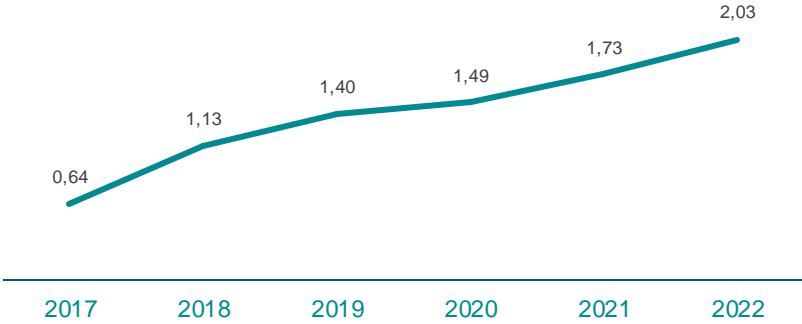
Z score	Prospect
2.6>	Safe
1.1 - 2.6	Grey
1.1<	Distressed

Source: Anjum, S. (2012). Business bankruptcy prediction models: A significant study of the Altman's Z-score model.

Debt Coverage

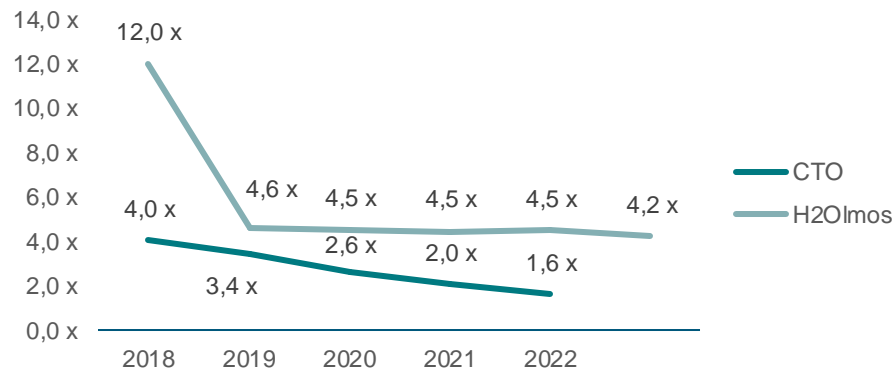


Altman – Z Score histórico

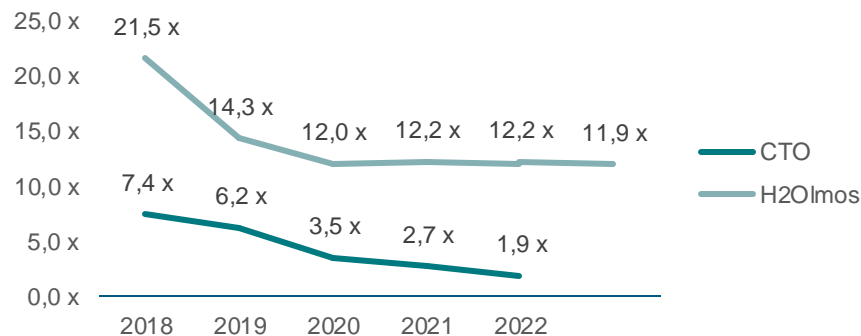


Comparison with peers

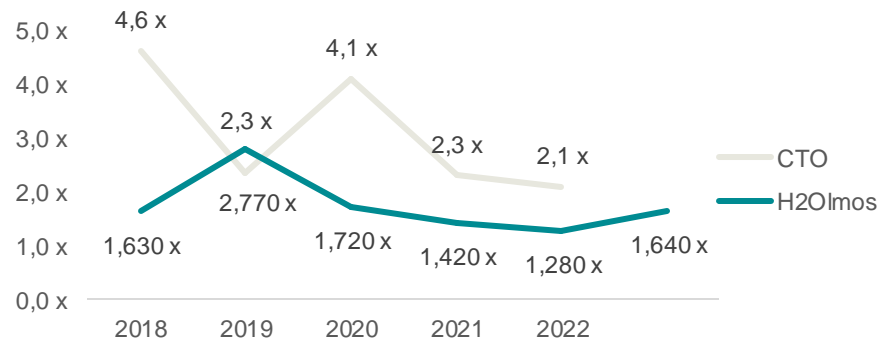
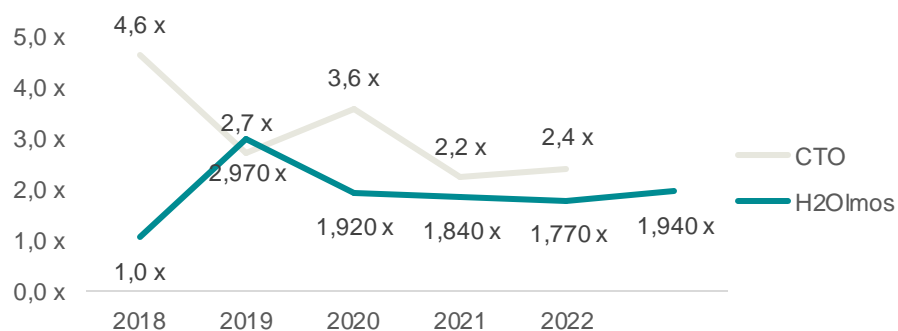
Financial appeceament (Debt/EBITDA)



Debt Ratio (Liability/Equity)



Debt Coverage



An aerial photograph of a large dam and reservoir. The dam is a long, low structure with multiple spillways. The reservoir is a large body of water in the foreground. The background shows a hilly landscape with some vegetation. A semi-transparent dark grey rectangle is overlaid on the left side of the image, containing the number '05' in large white font. Another semi-transparent dark grey rectangle is overlaid on the right side of the image, containing the text 'Conclusions / Recommendations' and 'H2OImos S.A.' in white font.

05

Conclusions / Recommendations

H2OImos S.A.



Risk and mitigation by the company

Income Risk

Service
guarantee

Partial guarantee
CAF

BBB+ off
takers credit
rating

Inflationary Pressures

Inflation Adjusted
Rate

"Take or Pay"
Contracts

Limited capacity financing

Comfortable liquidity
levels.

Cash accumulation (S/
85 Millions)

Reputational risk

Certificate: Management
of Anticorruption System.

Supreme Court
of Justice ratifies
its rehabilitation.

Prospects

Evolution of financial ratios

- The concession generates increasing income over time and is characterized by being predictable.
- Has solid short-term liquidity levels.

Debt coverage

- The dealership complies with maintaining a DSCR much higher than the minimum.
- It has financial income from trusts, which helps it meet its obligations.

Final comment

In conclusion, due to what has been observed in its guarantees, coverage and its mitigation strategies, it is recommended to invest in this corporate bond with a weight of between 5% and 7% of the total portfolio.

An aerial photograph of a large dam and reservoir. The dam is a long, low structure with multiple spillways. In the foreground, there's a curved concrete structure, possibly part of a lock or a smaller dam. The water is calm, reflecting the sky. The background shows a hilly landscape with some vegetation. A semi-transparent dark grey rectangle is overlaid on the left side of the image, containing the text '07 Attachments H2OImos S.A.'.

07

Attachments

H2OImos S.A.

Directory



**Oscar Eduardo
Salazar Chiappe**
Chairman

Management -
Universidad de Lima
Belongs to the
organization since 2004.
May-21: in charge of the
Administrative and
Financial Department of
OEC LATAM.



Mauricio Dantas Bezerra
Vice president of the
board

Laws – Universida de
Salvador
Belongs to Novonor Group
since 2008.
Legal Director in Odebrecht
Ambiental and Constructora
Norberto Odebrecht.
Legal Director of Novonor.



**Paulo Ricardo Baqueiro
de Melo**
Director

Civil Engineering -
Universidade Federal da
Bahia
Belongs to Novonor
Group since 1992.
2017: adviser to the
Director of the Novonor
Group.

General Management

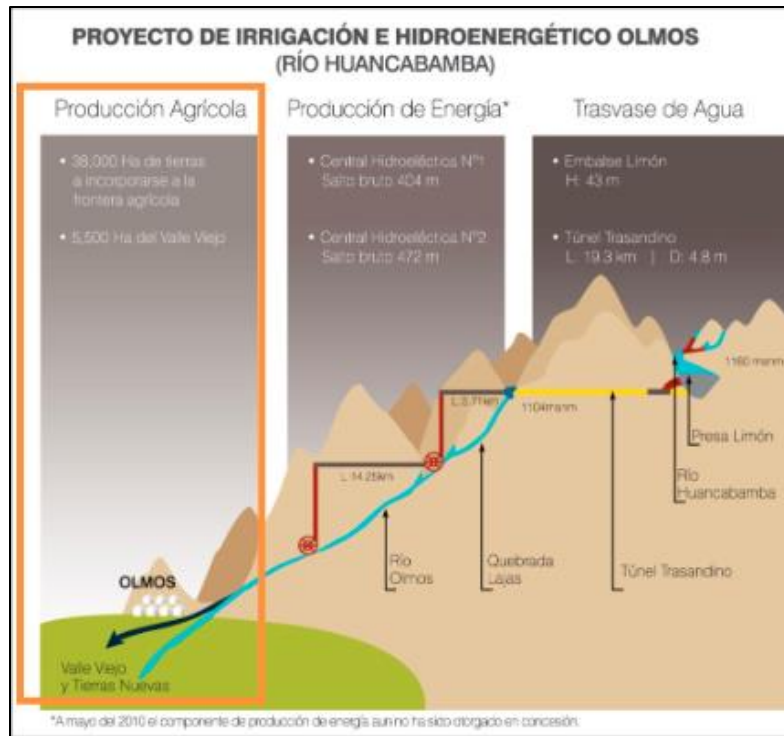


**Alfonso
Pinillos Moncloa**
General Manager

Mnagement - Universidad
del Pacífico
Belongs to the dealership
since 2012.
Marketing and business
manager at Bristol-Myers
Squibb, General manager
at Men at Work Group

Attachments: About the Project

The Olmos Integral Project consists of transferring the waters of the Huancabamba River from the Atlantic slope to the Pacific slope through a 20 km trans-Andean tunnel for its use in the irrigation of uncultivated lands and hydropower generation.



Part of the works of the Transfer component includes the 43 m high Limón Dam, whose objective is to create a reservoir to regulate the seasonal flows of the Huancabamba River and then divert the waters through the trans-Andean tunnel, guaranteeing the supply of water for the land users. The total volume of the reservoir is 44 Hm³, with a useful volume of 30 Hm³. Hm³, the useful volume being 30 Hm³.

1st Component

Water Transfer

Awarded to Concesionaria Trasvase Olmos in 2004.

2nd Component

Electric Production

Awarded to consession with Sindicato Energético S.A (SINERSA) in 2010. Products 850GWH/year

3rd Component

Farming Production

Awarded to consession with H2Olmos in 2010.

Attachments: Off Takers

Agrolmos S.A.

18,638 Ha. (48.9%)

- Sugar cane, beans
- Holding of the business of Grupo Gloria.

Agrovisión Perú S.A.C.

3,022 Ha. (7.9%)

- Grape, asparagus, cranberry
- Chilean leader in production and export of fresh fruit.

Complejo Agroindustrial Beta S.A.

2,022 Ha. (5.3%)

- Blueberry, avocado
- First exporter of asparagus in Peru and second grape exporter.

Inversiones Agrícolas Olmos II S.A.C

2,000 Ha. (5.2%)

- Mango, avocado
- Second producer of avocado in Peru.

Chimú Agropecuaria S.A.

1,517 Ha. (4%)

- Lemon, cowpea bean
- Part of the San Fernando Group.

Plantaciones del Sol S.A.C

1,307 Ha. (3.4%)

- Corn, avocado, paprika
- Presence in 11 countries. Production of commodities of high standards.

Agrícola Pampa Baja S.A.C.

1,100 Ha. (2.9%)

- Avocado
- Produces and exports vegetables (peppers, onions) and fruits.

DanPer Agrícola Olmos S.A.C.

1,000 Ha. (2.6%)

- Asparagus, avocado
- Joint Venture of Peruvian and Danish capitals with 21 years of experience

Inversiones Pirona S.A.C.

1,000 Ha. (2.6%)

- Avocado
- Chilean corporation, began its operations in 2011.

Corporación Agrícola Olmos S.A.

1,000 Ha. (2.6%)

- Asparagus, avocado
- Investment for the next few years: US\$ 44 MM.

Inversiones Lefkada S.A.C.

1,000 Ha. (2.6%)

- Blueberry
- Its main line of business is the export of avocados and blueberries

Inversiones Mosqueta S.A.C.

1,000 Ha. (2.6%)

- Avocado
- Chilean corporation, began its operations in 2011.

Agrícola Alaya S.A.C

1,000 Ha. (2.6%)

- Avocado and blueberry
- Operations in the USA, Mexico and presence in Peru since 2012.

Inversiones Hefei S.A.C.

1,000 Ha. (2.6%)

- Avocado
- Its main line of business is the export of avocados and blueberries

Agrícola CampoNoble S.A.C.

524 Ha. (1.4%)

- Alfalfa and cane sugar
- Company with more than 40 years of experience.

HFE Berries Perú S.A.C.

**506 Ha.
1.3%**

- Blueberry

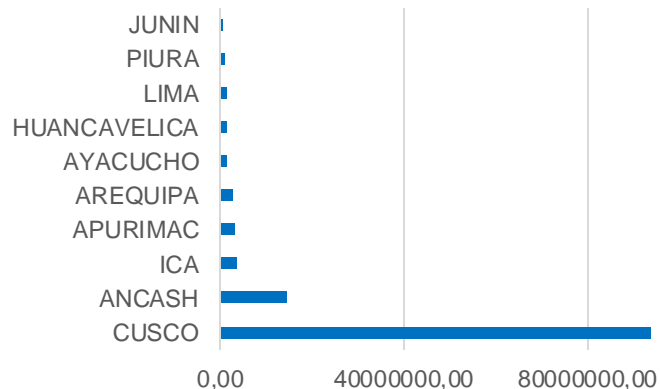
Agrindustrias AIB Perú S.A.

**500 Ha.
1.3%**

- Asparagus, lemon, passion fruit, avocado

Status of irrigation concessions

Irrigation project budget



Future Peruvian hydro projects

Project	Conflicts
Integral Water System of the Chancay Valley	Granting of a concession for a period of 25 years and includes the design, construction and operation of the so-called comprehensive water system in the Chancay-Lambayeque valley
Chinecas Project	collection of part of the waters of the Santa River to irrigate and improve irrigation in lands of the valleys and intervals of Santa, Lacramarca, Casma and Sichin

Project	Conflicts	Consecuencias
Chavimochic stage III	Alleged breaches of the concession contract by the Peruvian Government. (2017-2022)	Stoppage of the work and termination of the concession contract .
Olmos Irrigation Project	Claim of the Olmos Users Board (JUO) for a greater supply of water . (2021-2023)	The Court declared the claim inadmissible . Appeal results awaited
Majes Siguan II	Alleged breaches of commitments, obligations and guarantees by the Government (2018-2022)	Stoppage of the work, and termination of the contract.

Favorable policies for concessions

Project	Conflicts
DU 003-2017	Ensures the continuity of Investment Projects for the provision of Public Services, despite being involved in acts of corruption
Legal Stability Agreements	instruments which stabilize guarantees applicable to investors or receiving companies

Attachments: Kinds of Guarantees

Specifics Guarantees

First and preferential mortgage on the Concession and the assets that comprise it for up to US\$150 million

Security interest on the Concessionaire's shares for up to US\$150 million

Creditors Trust in charge of managing the flows.

Exclusive for bonds

A Debt Service Reserve Account that, since April 2021, has been made up in cash in the Creditors Trust, with a balance of S/15.4 million as of December 2022, equivalent to two principal and interest payment installments.

The Special Fees Reserve Account, which accumulates the funds for the payment of the balloon fee included in the Second Issuance of bonds, with a balance of S/41.4 million as of December 2022, equivalent to 83% of the fee payable in October 2024

A financial guarantee from CAF, which will be effective in the event that the funds contained in the Debt Service Collection Account (CRSD) are not sufficient up to the amount that is lesser of:



S/85 million or up to 20% of the amount of capital obtained through the corporate bond program (S/66 million)

30% of the outstanding value of each Issuance within the Program; CAF will have a minimum exposure of 1.35x the initial amount of the guarantee or US\$35 million

Attachments: H2OImos: Payment Structure

Cascada de Pagos – Etapa de Construcción

Cuenta APEX

Gastos Administrativos

Cuenta Construcción

Servicio de deuda de bonos

Servicio de préstamos genéricos

Cascada de Pagos – Etapa de Operación

Cuenta APEX

Gastos Administrativos

Cuenta O&M

Servicio de deuda de bonos

Cuenta Reserva

Reservas para el pago bullet

Servicio de Deuda CAF

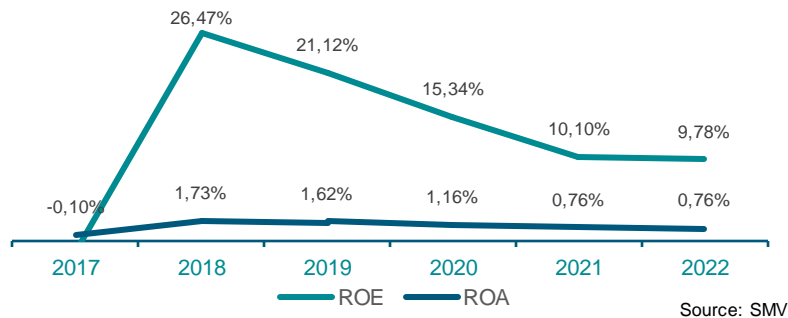
Servicio de Préstamos Genéricos

Attachments: Vertical Analysis

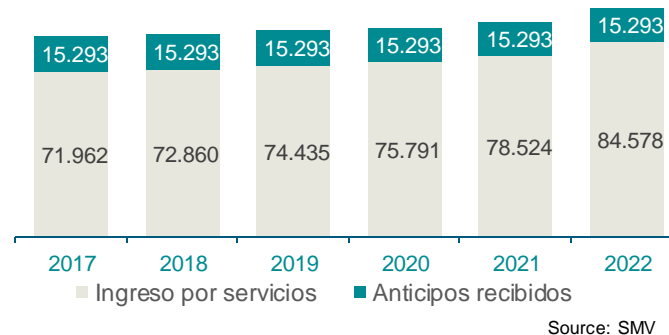
	2016	2017	2018	2019	2020	2021	2022
Costos por servicios de operación y mantenimiento	-59.08%	-55.53%	-60.28%	-56.25%	-55.57%	-56.51%	-54.44%
Gastos administrativos	-8.00%	-28.83%	-9.39%	-7.66%	-9.26%	9.75%	-8.38%
Otros Ingresos	11.11%	16.93%	8.01%	1.04%	0.46%	0.32%	0.61%
Gastos financieros	-32.23%	-31.29%	-24.55%	-23.69%	-22.09%	-29.40%	-38.74%
Ingresos financieros	1.27%	1.95%	1.77%	1.47%	0.67%	1.05%	4.14%
Diferencia de cambio, neta	1.10%	0.62%	1.65%	0.62%	1.62%	1.93%	0.53%
Utilidad Neta	9.69%	-0.74%	11.97%	10.84%	7.42%	4.54%	4.17%

Attachments: Kinds of Guarantees

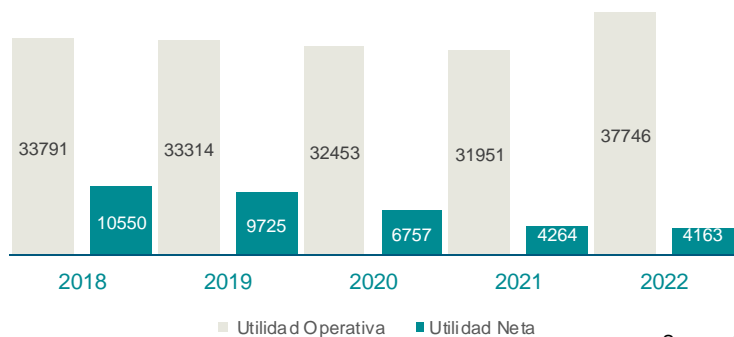
Profitability ratios



M&O and Anticipated Income (PEN million)



Net and Operating profit (PEN million)



Profit ratios

