

Tear Sheet:**Colbun S.A.****July 24, 2025**

This report does not constitute a rating action.

Colbun S.A.'s expansion plans remain in line with our expectations. The company fully integrated the acquisition of Inversiones Latin America Power SpA (ILAP), adding 239 megawatts (MW) of wind capacity to its portfolio. In addition, the Horizonte wind farm (installed capacity of 816 MW and expected average annual generation of approximately 2,450 gigawatt-hours) is 99% complete, with the company anticipating the final commercial operations date (COD) in August of this year (the north part of the park already received COD). Therefore, the company's growth plan remains on time and on budget.

Colbun is maintaining its target of increasing its renewable capacity by about 4,000 MW by 2030 with other projects under construction, like the BESS Celda Solar and BESS Diego de Almagro projects. (For both, the target for completion is 2026.) The company also has other projects in the pipeline with environmental permits ready, including the Celda Solar, Inti Pacha, and Jardin Solar photovoltaic farms as well as the expansion of Horizonte. Growth through acquisitions is also under consideration.

Our base case continues to include only projects that are approved by the board and are under execution. For these projects, we anticipate capital expenditures (including maintenance) of \$400 million-\$450 million in both 2025 and 2026.

In this context, we don't expect a significant amount of incremental debt for capex as we continue to expect robust funds from operations. That, together with Colbun's current level of cash (\$771 million), should be enough to cover most of these needs. Still, the company could go to the market to address the \$500 million bond due in 2027.

We continue to expect stable and sound credit metrics at Colbun over the next two years, with net debt to EBITDA hovering around 2.5x. This is despite its slightly lower EBITDA in 2024 (\$642 million).

We expect EBITDA of \$650 million-\$700 million in 2025, and the first quarter already yielded close to \$180 million in EBITDA. Our expectations incorporate the full integration of ILAP, the completion of Horizonte, the signing of new contracts, and the sale of payment documents related to the price-stabilization mechanism under the PEC III Law (\$41 million collected in April).

In all, we expect net debt to EBITDA to be comfortably below 3x and net funds from operations to debt to be in the 25%-30% range.

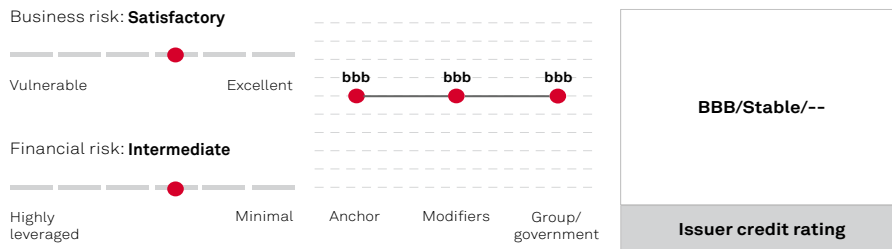
Primary contact

Gaston Falcone
Buenos Aires
54-11-4891-2147
gaston.falcone
@spglobal.com

Secondary contact

Daniel Castineyra
Mexico City
52-55-5081-4497
daniel.castineyra
@spglobal.com

Ratings Score Snapshot



Recent Research

- [Colbun S.A.](#), July 29, 2024

Company Description

Colbun is a privately owned power generation company that operates in Chile and Peru. It was Chile's second-largest power generator in 2024 with a 14% market share in terms of generation, behind the 30% market share of Enel Chile S.A. (BBB/Stable/--) and similar to the market share of AES Andes S.A. (BBB-/Stable/--).

In Chile, Colbun operates a mix of assets with a total installed capacity of 5,023 MW as of March 2025, including hydroelectric power plants, thermal plants, and solar and wind assets. Its strategy is to primarily serve large companies (mainly manufacturing and mining companies) and, to a much lesser extent, electricity distributors, minimizing its exposure to the spot market.

Colbun owns Peru-based [Fenix Power Peru S.A.](#) (BBB-/Stable/--), a power generator that contributes about 12% to consolidated EBITDA. Fenix operates a base-load, combined-cycle dual (gas and diesel) plant with a 573-MW gross installed capacity. It's located near the largest demand center in Peru, the capital city of Lima, and it consists of:

- Two General Electric gas turbines (190 MW each),
- One General Electric steam turbine,
- A desalinization plant (2,500 cubic meters per day),
- An 8-kilometer (km) transmission line operated by Consorcio Transmantaro S.A. (a subsidiary of Interconexión Eléctrica S.A. E.S.P.), and
- A 3-km gas distribution pipeline operated by Gas Natural de Lima y Callao S.A.

Outlook

The stable outlook on Colbun reflects that on its parent, [Minera Valparaiso S.A.](#) (BBB/Stable/--), as well as our expectation that Colbun will post solid credit metrics in the next two years, with net debt to EBITDA below 3.0x. The outlook also incorporates our expectation that the company won't face early terminations of contracts--which could jeopardize the stability and

predictability of its profitability--while it generates consolidated EBITDA of about \$650 million or more.

In addition, we expect Colbun to implement its capex with no significant deviations that could put at risk the projects' commercial operations to date.

Downside scenario

In the next two years, we could downgrade the company if its leverage increases such that its net debt to EBITDA rises consistently above 3.0x and its free operating cash flow (FOCF) to debt remains below 15%. Such metrics could stem from a rise in debt that we don't anticipate at this stage but that could result, for example, from a significant acquisition to increase the current portfolio.

Weaker metrics could also result from a sharp decrease in volume because of an economic contraction, lower prices, or a combination of the two that could reduce Colbun's EBITDA.

In addition, we might take a negative rating action if the company embarks on a more aggressive dividend policy in the next 24 months that could pressure its cash position as it expands renewable capacity, weakening its credit metrics.

We could lower the ratings on Colbun if we perceive significant delays in its plan for renewable generation capacity that could jeopardize the signed contracts.

Finally, we could downgrade Colbun if we lower our rating on Minera below 'BBB', given that we view Colbun as a core subsidiary of the latter.

Upside scenario

An upgrade of Colbun is unlikely in the next two years given its financing of the renewable energy expansion. An upgrade would require consistent improvement in the company's credit metrics with, in particular, net debt to EBITDA below 1.5x and FOCF to debt above 40%.

In addition, if we were to raise our rating on Minera above 'BBB', we would upgrade Colbun to the same level.

Key Metrics

Colbun S.A.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027
(Mil. \$)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	1,440	1,974	2,004	1,576	1,571	1,691	1,707
EBITDA	520	763	714	642	683	730	738
Cash flow from operations (CFO)	258	409	631	378	520	519	533
Capital expenditure (capex)	254	274	522	236	450	450	250
Dividends	1,245	152	305	135	129	160	170
Debt	1,357	1,021	1,091	1,524	1,542	1,633	1,520
Adjusted ratios							
Debt/EBITDA (x)	2.6	1.3	1.5	2.4	2.3	2.2	2.1

Colbun S.A.

Colbun S.A.--Forecast summary

FFO/debt (%)	24.1	43.8	55.5	27.3	30.3	30.6	33.8
EBITDA interest coverage (x)	6.6	8.8	8.1	7.3	7.1	6.9	7.7
EBITDA margin (%)	36.1	38.7	35.6	40.8	43.5	43.2	43.2

Financial Summary

Colbun S.A.--Financial summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
(Mil. \$)	2019	2020	2021	2022	2023	2024
Revenue	1,487	1,349	1,440	1,974	2,004	1,576
EBITDA	697	683	520	763	714	642
Funds from operations (FFO)	581	501	326	448	606	415
Interest expense	80	77	79	87	88	88
Capital expenditures	88	113	254	274	522	236
Free operating cash flow (FOCF)	396	332	4	134	110	142
Cash and short-term investments	800	969	1,324	1,136	1,033	775
Debt	1,081	1,071	1,357	1,021	1,091	1,524
Adjusted ratios						
EBITDA margin (%)	46.9	50.6	36.1	38.7	35.6	40.8
EBITDA interest coverage (x)	8.8	8.8	6.6	8.8	8.1	7.3
FFO cash interest coverage (x)	8.2	7.2	5.3	6.4	8.0	5.8
Debt/EBITDA (x)	1.6	1.6	2.6	1.3	1.5	2.4
FFO/debt (%)	53.8	46.8	24.1	43.8	55.5	27.3

Peer Comparison

Colbun S.A.--Peer comparison

	Colbun S.A.	AES Andes S.A.	Engie Energia Chile S.A.	Enel Chile S.A.	Enel Americas S.A.
Foreign currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB-/Negative/--
Local currency issuer credit rating	BBB/Stable/--	BBB-/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB-/Negative/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Mil.	\$	\$	\$	\$	\$
Revenue	1,576	2,343	1,836	4,011	12,790
EBITDA	642	357	510	729	3,660
Funds from operations (FFO)	415	57	365	241	2,162
Capital expenditures	236	423	655	602	2,127
Free operating cash flow (FOCF)	142	126	(97)	666	(309)
Debt	1,524	2,094	2,033	3,577	2,411
EBITDA margin (%)	40.8	15.2	27.8	18.2	28.6

Colbun S.A.--Peer comparison

EBITDA interest coverage (x)	7.3	2.3	3.9	2.4	4.0
FFO cash interest coverage (x)	5.8	1.3	4.1	1.8	3.8
Debt/EBITDA (x)	2.4	5.9	4.0	4.9	0.7
FFO/debt (%)	27.3	2.7	18.0	6.7	89.6

Colbun S.A.--Peer comparison

	Colbun S.A.	Enel SpA
Foreign currency issuer credit rating	BBB/Stable/--	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/--	BBB/Stable/A-2
Period	Annual	Annual
Period ending	2024-12-31	2024-12-31
Mil.	\$	\$
Revenue	1,576	79,145
EBITDA	642	21,351
Funds from operations (FFO)	415	13,569
Interest	88	4,203
Cash interest paid	87	3,732
Operating cash flow (OCF)	378	12,847
Capital expenditures	236	9,347
Free operating cash flow (FOCF)	142	3,500
Discretionary cash flow (DCF)	7	(2,261)
Cash and short-term investments	775	8,305
Gross available cash	775	8,305
Debt	1,524	72,192
Equity	3,230	47,672
EBITDA margin (%)	40.8	27.0
Return on capital (%)	9.3	12.0
EBITDA interest coverage (x)	7.3	5.1
FFO cash interest coverage (x)	5.8	4.6
Debt/EBITDA (x)	2.4	3.4
FFO/debt (%)	27.3	18.8
OCF/debt (%)	24.8	17.8
FOCF/debt (%)	9.3	4.8
DCF/debt (%)	0.5	(3.1)

Liquidity

We maintain our view that Colbun's liquidity is strong, which reflects a ratio of cash sources over uses of more than 1.5x in the next 12 months. We also expect the sources-to-uses ratio to remain positive even if forecast EBITDA declines 30%. In addition, because Colbun's debt

maturities are structured as long term, the company should have the ability to absorb high-impact, low-probability events.

Finally, our analysis incorporates Colbun's sound relationships with banks--including the availability of committed facilities--and its satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of \$771 million as of March 31, 2025
- Funds from operations of roughly \$450 million
- Ad-hoc inflows of \$41 million (PEC III collection in April 2025)

Principal liquidity uses

- Short-term liabilities of \$68 million as of March 2025
- Capex of \$450 million
- Dividends equal to 50% of net income in the next 12 months (although the company can lower them to 30% of net income--the minimum legal requirement)

Rating Component Scores

Foreign currency issuer credit rating	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--
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	Strong (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
- [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

- [Criteria | Corporates | General: Corporate Methodology](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Nov. 13, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

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