BUY

Target Price	CLP 1,880
Current Price	CLP 1,421

DATA

Bloomberg	CENCO CI
Reuters	CENCOSUD-SN
Credit Rating	AA-
52 weeks Hi/Lo (CLP)	1.691 - 1.245
Current Price (CLP)	1,421
Upside Potential	25.4%
Shares outstanding (M)	2,829
Market Cap (USD M)	5,956
Float (%)	40.0%
ADVT 6M (USD M)	3.8

RATIOS

	2014	2015E	2016E
EV/EBITDA	11.9x	9.7x	8.3x
EV/Sales	0.7x	0.6x	0.6x
P/E	23.7x	25.7x	13.9x
P/BV	1.0x	1.0x	0.9x
Div. yield	1.4%	1.3%	1.2%

CENCOSUD

Main Takeaways from our Meeting with the Company after Argentina's devaluation. Reinstating BUY recommendation

We recently met Cencosud IR's team, where we updated our view on the company's current corporate strategy while getting a more detailed approach on some relevant issues for the next year. Our overall take was positive and we are re-affirming our estimates and BUY recommendation.

Argentina devaluation should not affect its subsidiary gross margin and asset to liabilities mismatches will not be passed on results but directly to Equity. After Macri's presidential victory, Cencosud's short-term transition in Argentina is one of the main sources of uncertainty for investors. In this regard, according to the company we highlight: (i) Argentina's covenants are all related to equity (not cash-flow) and they are highly accomplished even after the ~32% peso devaluation since December 16th; (ii) Argentina's gross margin will not be seriously affected by the devaluation since import costs are almost entirely from local sources (less than ~11% and ~1% of Home Improvement' and Supermarket's costs, respectively, are imported); (iii) **Argentine "Asset to Liabilities mismatches" will not be passed on results but directly to Equity according to NIC21 (due to IFRS explicit option). In particular, we estimate a USD 237M effect on Equity in the 4Q15 due to this effect** (See appendix for details). Lastly, short-term negative results in Argentina are reduced to the current ~32% devaluation on sales (which is already internalized in our most updated estimates) and could be eventually offset if current inflationary pressures and price translation continue be passed on consumers.

No new impairment in Brazil at sight at least for a while, even on the current negative macro environment. In 2Q15, Cencosud passed a USD 183M non-recurrent loss related to an impairment test for its Brazilian assets. The impairment compares the amortization of goodwill against the net present value of its cash flows. According to the company, the impairment is made considering an 18-months forward scenario which at that time was consistent with the current negative and worsening scenario in Brazil. In this regard, we do not see likely a new impairment at least in 2016. However if the brazilian macro become exccesivelly worst than market expectations we could see some effects.

All in all, taking the aforementioned into account, we are not changing our estimates from our most updated figures (November 4th, 2015). We reaffirm our 2016YE target price of CLP 1,880 and BUY recommendation.

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APPENDIX

1 Cencosud ARS Devaluation Impact on Equity

	3Q15 CLP M	3Q15 ARS M	4Q15E ARS M	4Q15E CLP M	Dif.
Assets	1,476,462	19,951	19,951	1,092,528	-383,934
Liabilities	-829,668	-11,211	-11,211	-613,924	215,744
Expected Impact (CLP M)					**-168,190**
Expected Impact (USD M)					**-237**

FX	**3Q15**	**4Q15E**
ARS	9	13
CLP	696	709
CLP/ARS	74	55

Source: Company reports, BICE Inversiones.

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