

BUY

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

Q 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 excessively 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.

Aldo Morales
562 2 692-3481
amoralese@bice.cl

Agustín Álvarez
562 2 692-2576
aalvarezma@bice.cl

 @BICEinversiones

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

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

Source: Company reports, BICE Inversiones.

 SALES TEAM**Felipe Figueroa E.**

Equity Sales and Trading
ffigueroa@bice.cl

Jacinto Laso P.

Equity Sales and Trading
jacinto.laso@bice.cl

José Manuel Baeza O.

Equity Sales and Trading
jose.baeza@bice.cl

Andrés De la Cerda G.

Fixed Income and Currency
adelacer@bice.cl

 RESEARCH TEAM**Agustín Álvarez M.**

Head of Research
aalvarezma@bice.cl

Aldo Morales E.

Equity Research
amoralese@bice.cl

Sebastián Senzacqua B.

Chief Economist
ssenzacqua@bice.cl

Felipe Barragán H.

Economist
fbarragan@bice.cl

Francisca Bustamante C.

Strategy
fbustamante@bice.cl

Juan Pablo Castillo C.

Strategy
jcastilloc@bice.cl

Contact

600 400 4000

Follow

@BICEInversiones

Download

App BICE Inversiones

Visit

biceinversiones.cl

The analyst or analysts involved in the creation of this document hereby certify that the views expressed in this document accurately reflect their personal opinions and that they have not and will not receive direct or indirect compensation for expressing specific recommendations or views in this report. This report has been prepared by BICE Inversiones and is subject to change without notice. BICE Inversiones and employees shall have no obligation to update or amend any information contained herein. This report is for informational purposes only, based upon publicly available information, which we believed is reliable, but its accuracy and completeness cannot be guaranteed. BICE Inversiones makes no express or implied representations or warranties that such information is accurate or complete and, therefore, BICE Inversiones and employees shall not in any way be liable for related claims. The information and analyses contained herein are not intended as tax, legal, or investment advice and may not be suitable for your specific circumstances. Each investor shall make their own determination of the suitability of an investment of any securities referred to herein and should consult their own tax, legal, investment, or other advisors, to determine such suitability. This report may discuss numerous securities, some of which may not be qualified for sale in certain countries or states therein and may therefore not be offered to investors in such countries or states. This report or any portion hereof may not be reproduced, reprinted, sold or distributed without the written consent of BICE Inversiones.