

ECOPETROL S.A.

Equities **ECOPETROL** COC04PA00016

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• End-of-day quote Bolsa De Valores De Colombia - 06:00:00 2023-08-03 pm EDT

5-day change 1st Jan Change **02:53am** Mexico's... RE

2295.00 COP **-1.50%**

+4.03% **-5.17%**

Aug. 23 BotA Ge... MT

[Summary](#) [Quotes](#) [Charts](#) [News](#) [Ratings](#) [Calendar](#) [Company](#) [Financials](#) [Consensus](#) [Revisions](#) ...

Fitch Affirms Comision Federal de Electricidad's IDRs at 'BBB-'; Outlook Stable

Today at 05:57 am

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Fitch Ratings has affirmed Comision Federal de Electricidad's (CFE) Long-Term Foreign Currency (FC) and Local Currency (LC) Issuer Default Ratings (IDRs) at 'BBB-', National Long-Term Rating at 'AAA(mex)' and National Short-Term Rating at 'F1+(mex)'.

The Rating Outlooks for the FC and LC IDRs and the National Long-Term Rating are Stable.

CFE's ratings remain equalized with Mexico's sovereign rating based upon Fitch's application of its Government-Related Entities Ratings Criteria (GRE Criteria); Fitch maintained its assessment of CFE's Standalone Credit Profile (SCP) at 'bb-'.

Key Rating Drivers

Government Linkage: CFE's ratings are equalized with the Mexican sovereign rating, based on Fitch's GRE Criteria. The strength of the linkage is considered very strong to strong due to the assessment of 'very strong' to the status, ownership and control by the government of Mexico and the 'strong' assessment to the support track record. The Incentive to Support is considered strong as the assessment of financial implications for the government in the event of a default by CFE and the socio-political implications of a default are considered 'strong'. CFE's SCP is 'bb-'.

The overall GRE support score is 35 and the SCP continues to justify the equalization of the ratings. CFE is highly important to Mexico as its largest integrated electric utility, and it is the only domestic entity allowed to both transmit and distribute electricity. If Fitch were to lower the SCP to 'b+', a support score of 35 would result in a top down minus one rating approach and CFE would be downgraded to 'BB+'.

Reliance on Government Support: CFE's credit profile is reliant on receiving timely financial support from the federal government. Fitch expects total government transfers to CFE in 2023 will be approximately MXN100 billion and EBITDA margin will reach 24.3%. FCF is estimated to be negative over the next three years due to high capex needs given its expansion plans. Fitch's rating case is assuming negative FCF will be funded with incremental debt, elevating its leverage metrics.

Leverage Profile: Fitch forecast CFE's total adjusted financial leverage should be near 3.7x at YE 2023, an improvement from YE 2022 leverage level of 8.4x. The leverage metrics improvement is

Chart Ecopetrol S.A.



Company Profile

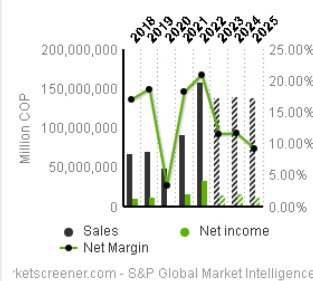
Ecopetrol S.A. is an oil company. The Company operates in Colombia, Peru, Brazil and the United States Gulf Coast. The Company's segments include Exploration and Producti...

Sector Oil & Gas Exploration and Production

Calendar 2023-09-21 - Detachement de for extraordinary dividend

[More about the company](#)

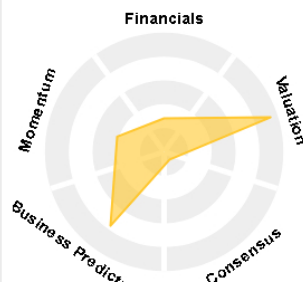
Income Statement Evolution



[Access financial data](#)

Ratings for Ecopetrol S.A.

Trading Rating : ★★★★★
Investor Rating : ★★★★★
ESG Refinitiv : **B+**



Indexes Europe America Asia

🇺🇸 S&P 500	4400	-0.81%
🇺🇸 DOW JONES	34223	-0.73%
🇺🇸 NASDAQ 100	14942	-1.36%
🇺🇸 RUSSELL 2000	1852	-0.96%
🇨🇦 TSX COMP	19825	-0.28%
🇬🇧 FTSE 100	7334	+0.18%
🇩🇪 DAX	15621	-0.88%
🇫🇷 CAC 40	7214	-0.44%
🇪🇺 EURO STOXX 50	4232	-0.81%
🇨🇳 MSCI CHINA	59	+2.14%
🇯🇵 TOPIX	2287	+0.42%
🌐 MSCI EMERGING	982	+1.19%
🌐 MSCI WORLD	2918	-0.67%

After hours (Indicative prices)

DAX	FTSE 100	CAC 40
-0.01%	-0.12%	-0.09%

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🇺🇸 NVIDIA CORPORATION	+3.24%
🇺🇸 INTEL CORPORATION	-3.37%
🇺🇸 ASML HOLDING N.V.	-3.49%
🇺🇸 NETFLIX, INC.	-3.89%
🇺🇸 WALT DISNEY COMPANY (THE)	-3.58%
🇺🇸 ADVANCED MICRO DEVICES, INC.	-7.36%

[My lists](#)

Rankings US 500

🇺🇸 NVIDIA CORPORATION	+3.24%
🇺🇸 AUTODESK, INC.	+2.60%
🇺🇸 PRUDENTIAL FINANCIAL, INC.	+2.06%
🇺🇸 THE CLOROX COMPANY	+1.90%
🇺🇸 SEALED AIR CORPORATION	+1.83%
🇺🇸 SOLAREEDGE TECHNOLOGIES, INC.	-5.33%
🇺🇸 BATH & BODY WORKS, INC.	-5.63%
🇺🇸 ENPHASE ENERGY, INC.	-5.79%
🇺🇸 ADVANCED MICRO DEVICES, INC.	-7.13%
🇺🇸 DOLLAR TREE, INC.	-11.02%



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Rankings Nasdaq 100

🇺🇸 NVIDIA CORPORATION	+3.24%
🇺🇸 AUTODESK, INC.	+2.60%

mainly due to a stronger EBITDA benefited by higher government transfers, the Mexican peso appreciation against the USD and lower fuel prices. Fitch expects that for 2024 and 2025 CFE's leverage levels should remain around 5.1x and subsidy to be lower at around MXN80 billion (level consistent with previous years). Annual capex is expected to remain below MXN100 billion during 2023-2025. Fitch's calculations add back the estimated actuarial cost of labor obligations.

Increase in Energy Demand: Fitch expects that electricity demand will continue growing as a result of the acceleration of the Mexican economy, mainly due to the nearshoring. Mexico's energy consumption in the first half of 2023 has exceeded in 4.6% the levels registered in the same period of 2022 and according to the Program Development of National Electric System (PRODESEN) 2023-2027, during the next 15 years, electricity demand in Mexico will increase by at least 2.5% on an annual average. The energy generation matrix in Mexico will continue being mainly thermal, and the energy demand will continue being served mainly through new combined cycles that are more efficient and less polluting than the conventional ones, with natural gas remaining as the primary fuel source of power generation. Gas based power plants accounted for around 62% of the total energy generation mix in 2022.

Natural Gas Price Exposure: Mexico imports around 70% of its natural gas needs from the U.S. This exposes CFE to shortages and fluctuations in natural gas prices and FX rates, as more than 60% of CFE's installed capacity requires natural gas for electricity generation. Mexico's domestic natural gas production does not satisfy internal demand, and storage facilities are limited. Texas represents around 86% of total natural gas imports by pipeline from the U.S. to Mexico. CFE implemented a Commodities Hedging Program to reduce this exposure; as of June 2023, 32.6% of its fuel requirements were hedged, though the company plans to increase that coverage substantially by 2024 depending on commodities market conditions.

Strategically Important for the Country: CFE's scale of operations, position as sole electricity marketer to unqualified users and unique position on transmission and distribution activities make the company strategically important for the country. As of June 2023, the company had a total installed capacity of 69,149MW, including the capacity from independent power producers (IPP) that generate electricity for CFE and is the only responsible for the transmission and distribution of electricity, as those activities are reserved to the Mexican state. Through the Energy Regulatory Commission (CRE), the government directly sets electricity tariffs to high consumption users (more than 1MW) while the Ministry of Finance and Public Credit (SHCP) determines user subsidies for low consumption users (less than 1MW).

Derivation Summary

CFE's 'BBB-' rating mirrors those of the Mexican sovereign, given the company's strong linkage with the government and high importance to the country. Compared with other state-owned companies in Latin America, CFE's IDR is higher than the Colombian group **Ecopetrol** S.A. (BB+/Stable). CFE's ratings are fully supported by the Mexican sovereign rating of 'BBB-/Outlook Stable' due to its exclusively reserved transmission and distribution activities in the country.

Ecopetrol's ratings reflect the close linkage with the Republic of Colombia (FC and LC IDRs BB+/Stable), which currently owns 88.5% of the company. **Ecopetrol's** ratings also reflect the company's strategic importance for the country, as well as its ability to maintain a solid financial profile. **Ecopetrol** supplies virtually all liquid fuel demand in Colombia and owns 100% of the country's refining

Analysts' Consensus

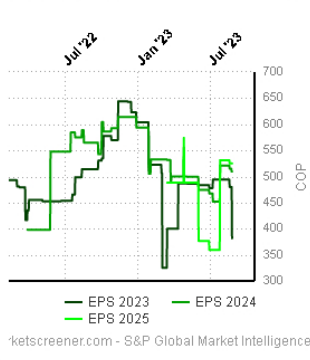
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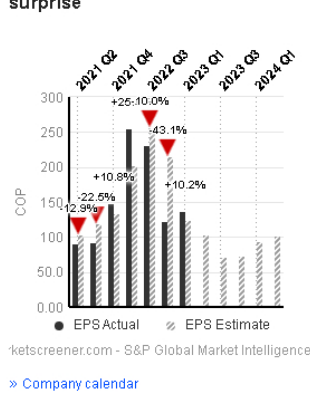
Mean consensus	HOLD
Number of Analysts	8
Last Close Price	2310.00 COP
Average target price	2622.29 COP
Spread / Average Target	+13.52%

» Consensus

EPS Revisions



Quarterly earnings - Rate of surprise



Sector Other Oil & Gas Exploration and Production

Company	1st Jan change	Capl. (M\$)
ECOPETRO...	-5.17%	23 287 M \$
COTERRA...	+13.00%	20 862 M \$
DIAMONDB...	+8.96%	26 504 M \$
INPEX COR...	+44.48%	17 961 M \$
PTT EXPL...	-8.50%	17 946 M \$
EGT CORP...	+24.39%	17 170 M \$
TOURMALI...	-2.93%	16 835 M \$
AKER BPAS...	-7.89%	16 718 M \$
MARATHON...	-5.12%	15 584 M \$
DEVON EN...	-20.13%	31 612 M \$

» Other Oil & Gas Exploration and Production

PINDUODUO INC.	+1.40%
SEAGEN INC.	+0.95%
DIAMONDBACK ENERGY, INC.	+0.62%
LULULEMONATHLETICA INC.	-3.94%
MARVELL TECHNOLOGY GROUP L...	-5.70%
ENPHASE ENERGY, INC.	-5.79%
ADVANCED MICRO DEVICES, INC.	-7.13%
DOLLAR TREE, INC.	-11.02%



Currency / Forex

USD / EUR	0.9244 +0.44%
USD / CAD	1.3565 +0.31%
USD / MXN	16.8020 +0.11%
USD / BRL	4.8696 +0.25%
USD / INR	82.5600 +0.07%
USD / CNY	7.2786 +0.02%
USD / JPY	145.8330 +0.80%
USD / AUD	1.5564 +0.85%
USD / KRW	1326.5400 +0.07%
USD / HKD	7.8427 +0.03%
USD / GBP	0.7928 +0.84%
USD / CHF	0.8837 +0.71%

» Forex

Commodities

GOLD	1917.39 -0.02%
CRUDE OIL (WTI)	78.75 +0.20%
CRUDE OIL (BRENT)	82.62 -0.40%
SILVER	24.13 -0.74%
PLATINUM	939.62 +1.20%

» Commodities

Cryptocurrencies

BITCOIN	25968.7600 -1.68%
ETHEREUM	1642.6600 -2.10%
RIPPLE	0.5148 -2.83%

» Cryptocurrencies

...capacity.

CFE's IDR is also rated higher than Brazilian company Centrais Elétricas Brasileiras S.A. (Eletrobras; BB-/Negative). Eletrobras' linkage with the Brazilian sovereign rating (BB/Stable) has weakened following the privatization of the company's shares. Fitch rates Eletrobras on a standalone basis.

Key Assumptions

Revenues to increase 6.9% in 2023 driven by higher government support;

EBITDA margins improving to around 24% in 2023 (adding the estimated actuarial cost of labor obligations into EBITDA);

Annual capex below MXN100 billion during the next two years;

Total government support near MXN100 billion in 2023;

Total debt/EBITDA ratio near 3.7x at YE 2023.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of the Mexican sovereign rating.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of Mexico's sovereign rating; Fitch outlined the following negative rating sensitivities in its press release on the sovereign on June 16, 2023:

Macro: A weakening in the consistency and credibility of the macroeconomic policy framework, for example if unorthodox policy interventions become more widespread, negatively affecting growth prospects and/or leading to a reassessment of the upward notching in our rating adjustment for this factor;

Public Finances: A marked upward trajectory in the gross general government debt/GDP ratio, for example due to fiscal deterioration or weaker economic growth;

Structural: deterioration in governance that results in political instability or undermines policy-making and business climate;

A deterioration of the SCP to a 'b+' level due to total debt to EBITDA of 5.0x or higher, EBITDA to interest coverage of 3.0x or below, and/or weakened liquidity;

Government support at a level that does not allow CFE to be FCF neutral.

Best/Worst Case Rating Scenario

International scale credit ratings of Non-Financial Corporate issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to

performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

Liquidity and Debt Structure

Liquidity Profile: As of June 2023, CFE reported total cash on hand of MXN78.8 billion compared with short-term debt of MXN70.5 billion. On the same date, total debt amounted to MXN471.4 billion (excluding the recognition of the liability for the right of usage of assets of MXN470.8 billion) and is mainly composed of MXN265.1 billion of documented debt, MXN103.3 billion of PIDIREGAS, and MXN68.9 billion related to capital leases. The company has undrawn committed credit lines for almost USD2 billion and MXN15 billion that supports its liquidity position. Fitch expects CFE to continue refinancing its short-term debt.

Issuer Profile

CFE is the largest electricity generator in Mexico with a total installed generation capacity as of June 2023 of 69,149 MW, including from independent power producers. The company has exclusively reserved the transmission and distribution activities in the country.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

CFE's ratings are linked to Mexico's sovereign rating.

ESG Considerations

Comision Federal de Electricidad (CFE) has an ESG Relevance Score of '4' for Governance Structure due to ownership concentration as a wholly government-owned entity and due to board independence and effectiveness, which has a negative impact on the credit profile, and is relevant to the rating[s] in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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<input type="checkbox"/>	Add to a list	Price	Change	5d. change	Capl. (M\$)
<input type="checkbox"/>	 ECOPETROL S.A. 	2295.00 COP	-1.50%	+4.03%	23 287 M \$

Latest news about [Ecopetrol S.A.](#)

Mexico's Pemex the biggest liquidity worry among peers - Fitch	08:53pm	RE
BofA Securities reinstates Ecopetrol at Neutral With \$11.50 Price Target	Aug. 23	MT

Goldman Sachs Adjusts Price Target on Ecopetrol to \$13.90 From \$12.50, Maint...	Aug. 18	MT
Ecopetrol S.A. Announces Executive Changes, Effective 18 August, 2023 and Se...	Aug. 17	CI
Ecopetrol S.A. Prepays Its 10-Year Notes Due September 2023	Aug. 10	CI
Transcript: Ecopetrol S.A., Q2 2023 Earnings Call, Aug 09, 2023	Aug. 09	CI
Ecopetrol S.A. Reports Earnings Results for the Second Quarter and Six Months ...	Aug. 08	CI
Ecopetrol to Redeem \$821.5 Million International Notes Due 2023	Jul. 10	MT
Ecopetrol S.A. Announces Prepayment of its Notes Maturing in September 2023	Jul. 07	CI
Ecopetrol S.A. Names German Gonzalez Reyes as Secretary General, Effective f...	Jul. 03	CI
Ecopetrol issues \$1.5 bln in bonds in latest financing push	Jun. 28	RE
Goldman Sachs Raises Price Target on Ecopetrol to \$12.50 From \$10.40, Keep...	Jun. 28	MT
Ecopetrol sells crude to Asia at deeper discounts amid Russia competition	Jun. 26	RE
Colombia pinpoints at least 21 suspended oil and gas contracts for assistance	Jun. 21	RE
Ecopetrol S.A. Announces Resignation of María Paula Camacho Rozo as Gener...	Jun. 20	CI
Sector Update: Energy Stocks Lean Lower Premarket Friday	Jun. 09	MT
Sector Update: Energy Stocks Mixed Late Thursday	Jun. 08	MT
Sector Update: Energy Stocks Lower in Afternoon Trading	Jun. 08	MT
Ecopetrol Says Refining Unit Won \$1 Billion Arbitration Ruling From International...	Jun. 08	MT
Repsol, Ecopetrol Detect Hydrocarbons in Colombian Province	May 30	MT
Ecopetrol , Repsol make hydrocarbon discovery in Colombia	May 29	RE
Ecopetrol , Repsol make new hydrocarbon discovery in Colombia	May 29	RE
ECOPETROL , REPSOL MAKE NEW HYDROCARBON DISCOVERY IN COLOMBI...	May 29	RE
Sector Update: Energy Stocks Gain Premarket Wednesday	May 24	MT
Sector Update: Energy Stocks Rising Late Tuesday	May 23	MT

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
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