The Green Elephant Student Research

[Food – Retail Industry]

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Cencosud S.A.

November, 19th 2012

Exchange rate USD/CLP: 480

Ticker: ● **IPSA: CENCOSUD** **Recommendation:** ● **BUY**

Price: ● **CLP$ 2.525** **Price Target:** ● **CLP$ 3.144**

	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Total Revenues M CLP $	9.424.637	12.396.149	13.853.917	15.236.044	16.299.526	17.361.435	18.426.025	19.496.708	20.576.425	21.667.848	22.647.861
EBITDA M CLP$	740.495	885.895	972.773	1.078.652	1.169.882	1.260.360	1.454.647	1.654.350	1.865.227	2.063.224	2.192.918
Net Income M CLP$	360.729	397.149	441.078	502.381	553.344	607.547	736.885	869.532	1.007.479	1.150.630	1.239.437
Earnings per Share	142	140	156	177	195	214	260	307	355	406	437
Dividends per Share (%)	1,69%	1,67%	1,85%	2,11%	2,32%	2,55%	3,10%	3,65%	4,23%	4,83%	5,21%
Price / Book Value	1,53	1,76	1,59	1,43	1,27	1,19	1,07	0,92	0,83	0,70	0,66
Return on Assets (%)	4,41%	4,24%	4,33%	4,58%	4,64%	4,82%	5,43%	5,87%	6,31%	6,62%	6,79%
Return on Equity (%)	8,84%	10,05%	10,07%	10,31%	10,09%	10,31%	11,25%	11,45%	11,95%	11,45%	11,59%

	2013 F
Total Revenues M CLP $	12.396.149
EBITDA M CLP$	885.895
Net Income M CLP$	397.149
Earnings per Share	140
Dividends per Share (%)	1,67%
Price / Book Value	1,76
Return on Assets (%)	4,24%
Return on Equity (%)	10,05%

Highlights

Fundamentals and valuation analysis indicates a strong buy: Our target price is CLP$ 3.144 per share within a 12 to 18 month horizon, with an upside from the current market price of 24.74%, a dividend yield of 1.67%, and an EPS of CLP$140. Based on FCFF and EV/EBITDA analysis.

Cencosud operates in emerging economies within Latin America: The Company has established operations in countries with great potential attractiveness due to high rates of underpenetrated food retail markets and outstanding GDP growth perspective, specifically Colombia and Peru. Please refer to appendix 14.

The acquisition of Carrefour`s Colombia operations consolidates Cencosud presence in that market: The announced purchase price for the operation is USD 2,6 billion. Positive prospects are supported by the firm's successful M&A background.

New and profitable business opportunities: The Company has high leverage ratios mainly because of an aggressive organic and inorganic expansion primarily in the supermarkets division, in Peruvian, Colombian and Brazilian markets, which suggests future high-pitched quality and stable earnings. However, we expect a NFD/EBITDA ratio under 3x.

Market Profile	
52 week price range	2500 - 3244.65
30 day Average Volume	3103638
Beta	1.2
Dividend Yield (Estimate)	26,60%
Share outstanding (MM)	2834
Free Float (%)	39%
Market Capization (M CLP)	5995313
Market Capitalization (USD)	12490,23542
Price/Book	1,9832
Debt to Total Capital	75,90%
Return on Equity	7,7%

Source: Bloomberg and team´s analysis

Cencosud stock vs IPSA

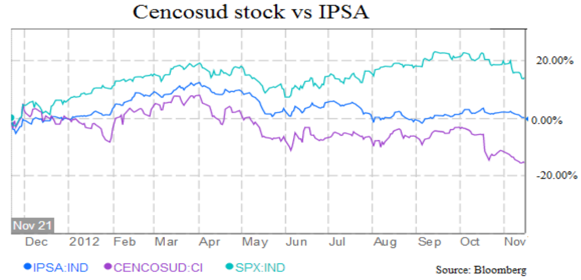
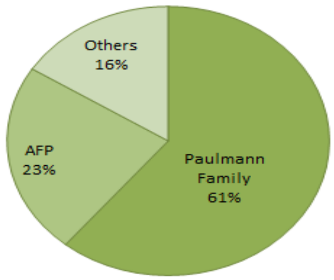
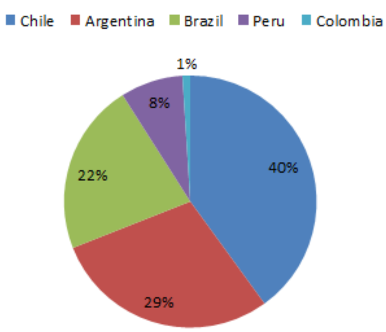


Figure 1: Ownership Structure



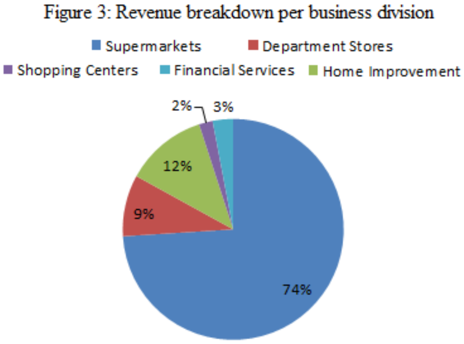
Source: Company data

Figure 2: Revenue breakdown per country



Source: Company release

Figure 3: Revenue breakdown per business division



Source: Company release

Business Description

Cencosud is a Chilean retail company, founded in 1976 with the opening of their first supermarket under the brand "Jumbo". This marked the beginning of a massive expansion, becoming nowadays the 2nd largest retailer in Latin America, with a current market capitalization of USD 12,1 billion and 906 stores. It has developed a successful multiformat strategy, achieving its presence in five different countries; Chile, Argentina, Brazil, Peru and Colombia, all emerging markets with rising economies.

The objective of Cencosud is to become the biggest multiformat retailer in the region, combining a multiformat and multibrand strategy with strong organic growth and a successful background of acquisitions as part of their inorganic progress. This firm has achieved synergies and cost savings by integrating their acquisitions and operations in different countries. Increased margins reflect the consistent battle for achieving major operational efficiencies. Please refer to appendix 13.

Cencosud`s plans have always been endorsed and vigorously promoted by its chairman Horst Paulmann, who founded the company 35 years ago and retains control of 60.9% of its shares. See figure 1.

The company`s business units are divided into 5 different areas: supermarkets and hypermarkets, home improvement stores, department stores, shopping centers, and financial services, with the supermarkets division being the firm's core business, reporting each year around 74% of the firms total revenues. See figure 2 and 3. Additionally there are several other business units complementing and enhancing the main ones, such as using insurance, family entertainment centers, and travel agencies.

Since June of 2012, Cencosud trades in the New York Stock Exchange (NYSE) using the ticker CNCO. This event means Cencosud is the first Chilean retail company trading in the NYSE, and it launched the firm's corporate image into a worldwide scenario.

Cencosud is the only Latin American retail company, according to rating agencies such as Fitch Ratings and Moody's Investors Service, is classified "Investment Grade".

Industry Overview and Competitive Positioning

Euro Debt Crisis: Latin America has been able to maintain economic stability during this crisis, and the foreseeable effect on emerging economies in the aftermath of the current situation includes a downturn in exports and increased related risks. The industry is expected to have less attractive funding alternatives with negative effects on consumer perceptions or private consumption. Nevertheless, according to the World Regional Economic Outlook October 2012, the IMF expects Latin American economic growth to be 3.2% and 4%for 2012 and 2013 respectively.

Chile: is expected to see GDP growth of around 5% in 2012, mainly driven by internal consumption. Despite the uncertainty of the European crisis, the labor market has remained highly dynamic. Chile is the world's largest producer of copper, and the country`s economy follows a cycle that varies with this commodity`s market price.

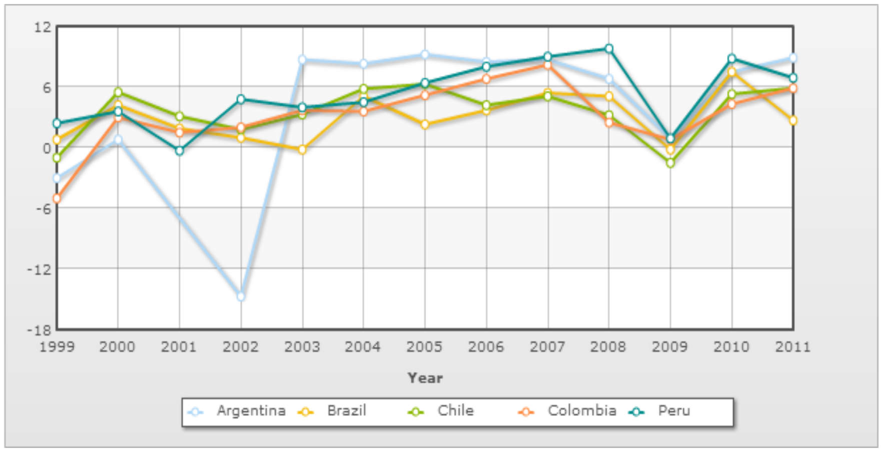
Argentina: Faces a delicate economic and political situation. Global crises, commercial restrictions, exchange risks, constant difficulties to access the financial markets, and lower productions rates due to deep droughts over the last years have had a negative impact on the economy. The government estimates GDP growth of 2% for 2012 and 4.4% for 2013. Expected inflation for 2013 is 9.9%.

Brazil: GDP growth for 2013 is expected to be 4% while for 2012 it will only be 1.5% due to the sharp economic downturn that Brazil faced, particularly through 2Q12, where the economy grew only 0.4% compared to 2Q11. The severe deceleration was caused by a combination of measures taken by the government to curb inflation, stop the overheating of the economy, and to protect Brazil from the international crisis.

Peru: GDP growth for 2012 is expected to be around 6%, and for 2013 5.8%. This country shows solid economic growth in future years due to its high level of capitalization, presenting capital rates of around 14% over risky assets, and low inflation over the last years. The interest rate is 4.25%.

Colombia: The IMF expects GDP growth of 4.3% for 2012, and 4.4% for 2013. Expected inflation for 2012 is 2.7% and 3% for 2013. Colombia has had a significant growth in retail sales and industrial production as well as in exports. Despite the difficult time that the global economy has been through, domestic demand remains stable, and it is expected to continue growing. The interest rate is 5.25%.

GDP growth by country



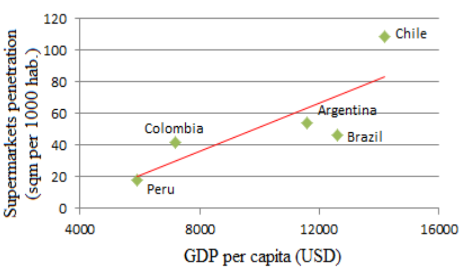
Source: Team´s Analysis and Index Mundi data

Industry Analysis

Consumer Confidence Rate

In spite of the global crisis, Latin America`s consumer confidence, excluding Brazil (-2) has remained positive in Chile (+11), Argentina (+4), Colombia (+4) and Peru (+6). These results are highly positive for the retail industry; it gives useful feedback about the whole economic situation in the world and about personal financial situation.[1]

Figure 4: Supermarkets penetration and GDP per capita



Source: Team´s analysis

Population Growth in Latin America

Population growth rates in countries where Cencosud operates are high and positive. This along with better economic conditions benefits the Latin American retail industry. See figure 4.

According to the Industry Census of the United States, the Latin American region had 336 million people by 2010, with an expected annual growth rate of 1.1% between 2010-2015. Poverty reduction is another factor that contributes to an increase in the quality of life and, therefore, an increase in consumption per capita.

Consumer trends and urbanization process

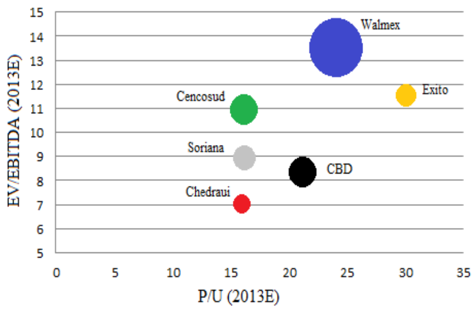
The urbanization rate in the Latin American countries where Cencosud operates has increased significantly. The United Nations Human Settlements Program said that the region is already the world´s most urbanized, with 80% of the population living in cities. This trend is expected to continue rising. This leads to a higher population density which facilitates business opportunities for companies operating in the retail industry, as investment in infrastructure, housing and basic services grows.

Competition Analysis:

Grupo Éxito: Colombian retailer that generated an operating income of USD 8.7 billion last year. Until March 2012, Grupo Éxito owns 418 stores including hypermarkets, supermarkets, discount stores and specialty shops. Its main competitor is the Chilean hypermarket chain Cencosud. Éxito hypermarket is the largest chain in Colombia.

[1] *Nielsen´s Global Consumer Survey, August 6th, 2012.*

Figure 5: Cencosud competitors EV/EBITDA and P/U



Source: Team´s analysis and company data

Walmart: The biggest Multinational Company in the world. Its main business is convenience stores with low prices and high volumes of sales that can be seen by their slogan "Save money, live better". Walmart has 8.500 stores in 15 countries under 55 different names. It operates in the UK under the brand "Asda", in Mexico with Walmex, in Chile with Lider, Ekono and Acuenta and in India their brand known as Best Price. Has had over the last years and aggressive strategy consisting basically in strong organic and inorganic expansion. This firm also operates in Brazil and Argentina.

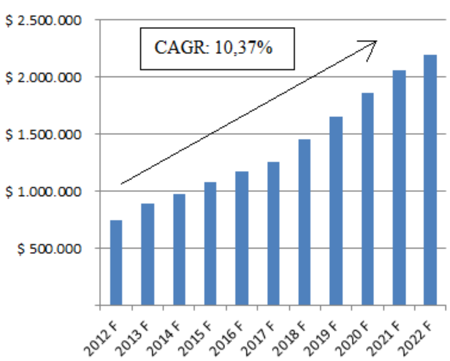
Carrefour: Is a French multinational chain of distribution, positioned as the biggest retailer in Europe and second in the global industry. Its activities focus on three continents: Europe, Asia and Latin America. It has had a solid growth in Brazil with an out performance of Atacadao and continuing progress in hypermarkets, sustainable growth in Argentina. Further information see figure 5.

Grupo Falabella: One of the largest and established companies in Latin America. It conducts its commercial activities through different businesses such as department stores, shopping centers, supermarkets, home improvement stores, WRC commercial finance company, banks and insurance travel agency. Falabella is a Chilean company that competes directly with Cencosud through their supermarket "Tottus" is a newly born division.

Mom and Pop: Small stores located in strategic neighborhoods, which usually sell basic products. These small businesses enjoy neither economies of scale nor scope that could compete with major retail chains like Cencosud. However, the quantity sold varies in each country and with each culture. In Peru, traditional stores have greater market share than in Chile.

For further information about industry please refer to appendix 16.

Figure 6: Cencosud´s proyected EBITDA



Source: Team´s estimates

Investment Summary

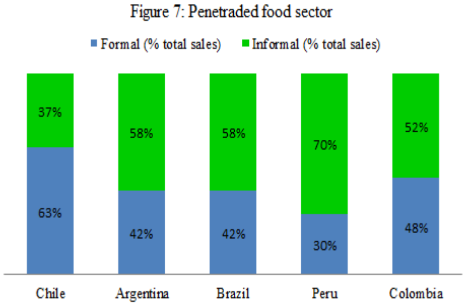
Value stock is based in supermarkets division that is the core business of Cencosud

After an analysis, of the fundamentals of several valuation methods like FCFF, EV/EBITDA and Forward P/E, our team has reached a target price for 2013 of CLP$ 3.144 with an upside of 24.74%, a dividend yield of 1.7% per share and a ROE of 10%. For further information refer to appendix 5 and 6.

We strongly believe in a buying recommendation, mainly because the company`s results rely on solid bases; the supermarkets division, where the firm currently achieves more than 70% of its revenues, which means solid and stable high quality flows every year and generating EBITDA margins over 9% and EPS of CLP$ 473 before 2022 and around CLP$ 140 for 2013, See figure 6 and appendix 1.

The interesting trend of this division is the immense growth potential of emerging markets in Latin America such as Peru, Colombia and Brazil, where there is still an underpenetrated food retail industry. As an example, informal food commerce in Peru nowadays is around 70%, see figure 7.

Figure 7: Penetraded food sector



Source: Company release

High levels of leverage due to strong expansions

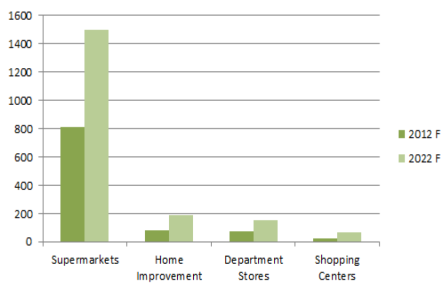
The company shows a high level of leverage. It has a 1.3 Liabilities/Equity ratio, but shows a declining trend in its balance sheet. These levels of leverage are sustainable with positive cash-flow generation. The objective of the current debt stock relies on developing what the company does best: supermarkets in emerging markets, consolidating acquisitions, and developing new profitable businesses in emerging economies, such as department stores in Peru, the Carrefour acquisition in Colombia, the Prezunic consolidation in Brazil, and the Costanera Center operation in Chile.

In the short term the company shows high levels of NFD/EBITDA ratios in comparison to other competitors in the supermarkets division. However we recognize a declining trend, and an important effort in diversifying suppliers and integrating SAP technology to its operations making the company capable of enhancing gross margin CAGR around 1% for the next 10 years. Please see appendix 3.

Solid ground basis reflected in their investment grades

Cencosud is the only Latin American retailer that has achieved an investment grade according to Moody's Investors Service and Fitch Ratings Agencies, Baa3 and BBB- respectively. To potential investors this gives better on insight of the causes that explain the high leverage, and sends a positive message to the market about the company's health, being able to continue developing profitable businesses opportunities and synergies. We believe that this leverage is absolutely sustainable as long as the company dedicates these funds through an aggressive organic selling surface expansion in the markets it actually operates in.

Figure 8: Ten years stores growth source



Source: Team´s estimates

Organic expansion plan

Cencosud has the ability of undertaking a considerable expansion plan in selling surface for upcoming years, mainly within organic growth due to new business opportunities in Peru and Colombia, Department Stores and Shopping Centers respectively. We do not exclude the possibility of inorganic growth, but we do consider it small, owing to the recent acquisitions in Brazil and Colombia. Consequently we expect 100 new stores openings on a yearly basis for the next 10 years in all business divisions, and in all the countries where the company is actually operating across Latin America.

The main trends are supermarkets and hypermarkets division expansion and shopping centers, which generate important consumer traffic into other Cencosud stores such as home improvement and department stores. Even though we do not have cross-selling evidence between stores, we do think that by developing all businesses together, including financial services, the company increases its wallet share profit, obtains a data base of consumers performance and is able to offer a superb shopping experience going along with the company's value proposal "Family life begins in a mall", according to Chairman Paulmann´s statement to a local newspaper.

We expect a selling surface expansion of around 80.000 square meters for Peru and Colombia excluding Shopping Centers per country, more than 70.000 square meters for Chile and around 20 supermarkets for Brazil, all of this in a yearly basis. This is a realistic consideration developed by the team´s analysis combining demographic, economic and market condition factors. For further explanation of this organic expansion plan please refer to appendix 12, also see figure 8.

A special consideration for Argentina

This economy`s behavior has been difficult to estimate because of the unrealistic information given by the Argentinian government. This country represents 28% of Cencosud`s revenues, and because we believe that the inflation rate will rise to an unsustainable level, this will devalue Argentina's currency, for this our analysis is based on a Chilean peso basis, transforming Argentinean SSS to this foundation.

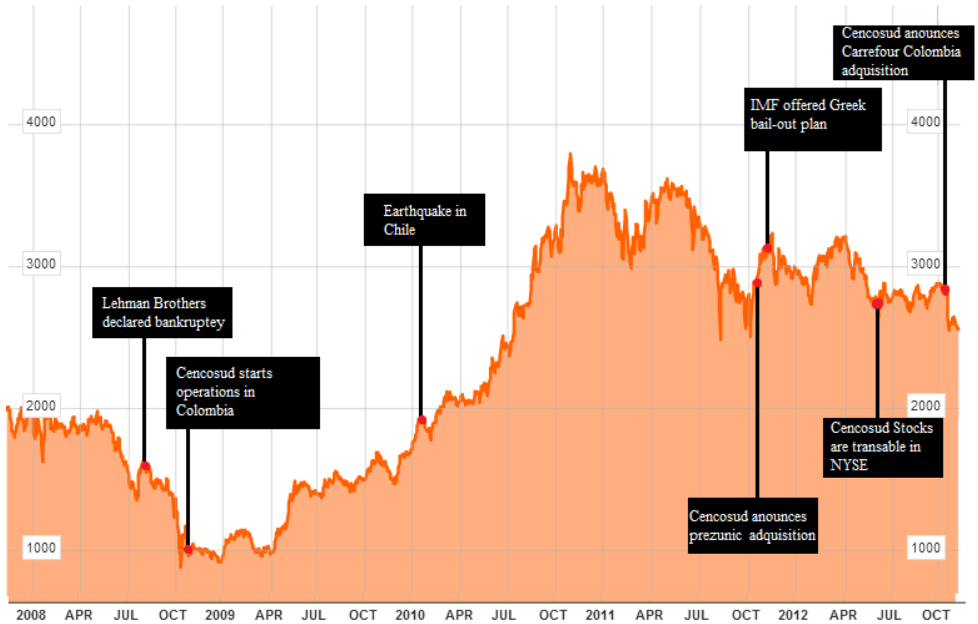
There is a political and economic instability risk that we have considered in our research, assigning a higher BETA of 1.2 in the WACC model. In spite of this, we expect strong sales due to the maturity curve of stores and a good trend for future sales in the home improvement division, since Argentinean preferences for durable goods continue to increase. We also expect a long term EBITDA of 21.7%, higher than Colombia and Peru.

Successful M&A background and Carrefour recent acquisition in Colombia

Over the last years in terms of corporate image the firm has been able to introduce "Cencosud`s Organizational Culture" and the successful consolidation of large acquired firms. Also by introducing Chilean brands like Easy in new markets and integrating local brands within the Cencosud structure and business model. Currently there are several consolidation processes taking place like Prezunic in Brazil, Johnson's in Chile and Carrefour in Colombia, all of them supported by the company's background: the consolidation of Wong in Peru, Bretas and GBarbosa in Brazil. For historical acquisitions see appendix 17.

These consolidations have had a negative impact in terms of the 2012 EBITDA margin but we expect a 9.7% EBITDA margin for the year 2022.

The company has recently announced the acquisition of Carrefour operations in Colombia, with sales of USD$ 2,220 M improving their presence considerably in this attractive market by adding 400.000 square meters of selling surface, with more than 70 supermarkets. The deal involves a price of USD$ 2,6 billion which is going to be financed with a 10-year bond of USD$ 1 billion within 2 bridges of 12 and 18 months and a capital raising taking place in January of USD$1,5 billion. Today, according to the company releases, Carrefour achieves a 6% EBITDA margin and we believe Cencosud is able to get 7%. Even though the price is higher than other acquisitions, around 1.3x EV/Sales and EV/EBITDA around 20x it is still a very interesting investment opportunity in our timeframe mainly because of the potential 52% of underpenetrated food retail Colombian market. We anticipate that this acquisition will generate a 10% of the total revenues for 2013, in conjunction with other business opportunities, expanding Home Improvement and building shopping centers. The challenge remains in handling the company's leverage and not being downgraded by the agencies.[2]



Source: Bloomberg and team´s analysis

Valuation

Cencosud valuation is weighted upon 2 models; FCFF and EV/EBITDA

After evaluating the company and given the company´s characteristics and the current market environment, we believe that the more useful methods for Cencosud are FCFF, and EV/EBITDA since it has been based in fundamentals analysis, long term value and money in time. EV/EBITDA helps us separate the leverage effect when comparing the company to its peers having a better perspective of growth opportunity and because it is commonly used for companies with relatively low EBITDA margins, but strong fundamentals.

FCFF

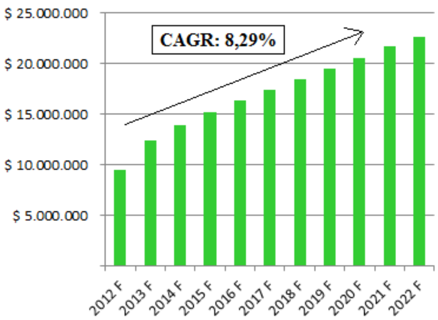
This method allows us to calculate the present value of the company´s cash flows generated from operating, investing and financial activities, reflecting growth expectations of all business divisions and fundamentals. Under this analysis the team obtained a target price of CLP$ 3.106 per share with an upside of 23% from market current price. Please see appendix 10.

10 year projected cash flows assumptions:

The compound annual growth rate of EPS estimated in our 10-year timeframe is 10.7% and 9.7% EBITDA margin before the year 2022. These outstanding results are due to the aggressive store expansion in underpenetrated food retail markets like Colombia and Peru, recent consolidation process in Brazil and Colombia and CAGR gross margin improvement

[2] *Bloomberg News "Carrefour gains after selling Colombia units to Cencosud" Oct 19,2012*

Figure 9: Cencosud´s proyected revenues



Source: Team´s estimates

of 1% due to better performance in back-office because of SAP implementation and a proper SG&A control. For further information please see appendix 5.

Projected revenues*:* Most Cencosud`s sales derive from a constant expansion within the 5 countries across Latin America and conservative assumptions over SSS improvement. Please refer to Appendix 8 and figure 9. As we mentioned before, we develop a quantifying and distributing model to explain the selling surface expansion, explained in appendix 3. We expect the company to have 10.083.746 square meters before the year 2022, showing a 136% increase during these 10 years. The expected compound annual growth rate of revenues is 10.49%, and for these calculations we started with the historical average sales per square meter, establishing a growth pattern, along with SSS for each business; supermarkets, department stores and home improvement, also projecting future Peruvian department stores revenues using Chile as a reference. We also took into consideration the fact that new stores can achieve 75% sales relative to mature stores, defining maturity in a 1year basis. For shopping centers we assumed after a thorough analysis, that Cencosud is capable of achieving USD$ 480 sales per square meter a year and a 98% occupation rate, and in Financial Services we assumed a growth pattern in concordance with home improvements and department stores, considering that around 50% of sales are paid with the company credit card, and considering the gross credit portfolio. Please see appendix 7 and 11.

Gross Profit: In the long term we expect raising margins as we already mentioned with a compound annual growth rate of 1%, representing around 72% of the company revenues, declining to 69% before the year 2022 and a gross margin of 31.3%, superior to nowadays 28.4%. Again we attribute this company efficiency to the implementation of SAP, inventory superior management, an office in China, and therefore experiencing incremental benefits.

SG&A: Growth in terms of revenues that are at the same time based on selling surface space in sqm, however if revenues fall SG&A will maintain stable. This shows a compound annual growth rate of 0.46% because of incremental selling surface, but our analysis shows it is a lower growth rate than the gross margin of 1%, therefore improving operational margin. This shows a clear efficiency process and a well-established compensation policy within the firm, which we believe is absolutely sustainable over time. These costs have increased considerably in Cencosud due to Argentina, where the annual salaries are established as a whole industry. Over the last year, SG&A has increased 24% in this country.

CAPEX: Over the last two years, the firm has invested nearly USD 1 billion in CAPEX per year. We estimate that Cencosud will continue this investment plan, allocating MM USD 525 to Supermarkets division, Home Improvement and Department Stores, counterpart to 350.000 square meters with a cost of USD1500/sqm and USD400 M for the construction of four shopping centers with a cost of USD 100 M per shopping center. Please see appendix 12.

OPEX: Since it is in the middle of a consolidation process across different countries, like Johnson's in Chile, Prezunic in Brazil and soon to start with Carrefour in Colombia we have considered conservative and stable ratios during a time period, keeping the actual 43 days of rotation in net receivables, 52 days with inventory turnover and 104 days in net payables, generating an unfavorable but reasonable cash converting cycle. For further information see appendix 9.

Figure 10: Cencosud´s weighted real WACC

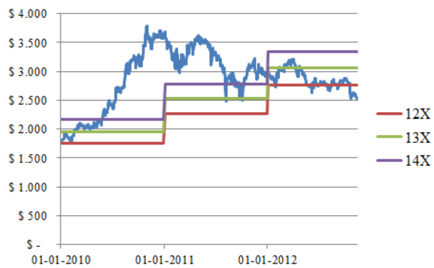
	Long term EBITDA	Real WACC
Chile	34,0%	7,9%
Argentina	21,7%	14,0%
Brazil	24,7%	7,5%
Peru	8,6%	8,2%
Colombia	10,1%	7,8%
Weighted WACC		**9,07%**

Source: Team´s analysis

WACC: The cost of debt has been obtained via the historical interest rate of banking borrowings within the years. The cost of equity derives from the CAPM model and the free risk rate corresponds to 10-year government bonds of each country and the premium risk is assumed as 5.5% for all countries. Please note that Argentina´s beta is higher than the rest, 1.2 and 1.05 respectively, integrating the countries risk in our valuation. Finally we weighted each country real WACC with our long term EBITDA breakdown, resulting in a real weighted WACC of 9.07%, see figure 10. For further calculations please refer to appendix 10.

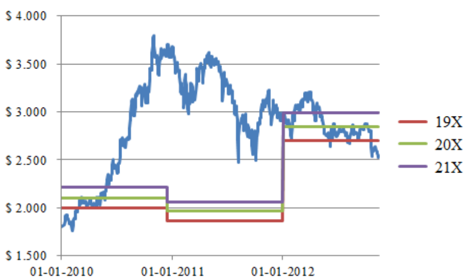
Terminal Value: Due to EBITDA growth over recent years and the firm's ability to continue growing, especially in Peru and Colombia, we have estimated real growth of 2.5% perpetual.

Figure 11: EV/EBITDA band analysis



Source: Team´s analysis and company data

Figure 12: Forward P/E band analysis



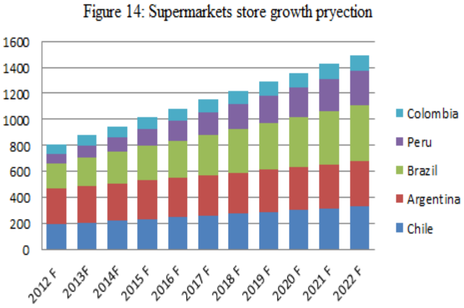
Source: Team´s analysis and company data

Figure 13: Target price

	weight	Price (CLP)	W x P (CLP)
FCFF	50%	3106	1553
EV/EBITDA	50%	3181	1590,5
PER	0%	2802,64	0
Target Price			3144

Source: Team´s estimates

Figure 14: Supermarkets store growth pryection



Source: Team´s estimates

Multiple Valuations: EV/EBITDA: We used this multiple as an alternative to forward P/E due to its capital neutral structure that allows us to compare Cencosud share with other peers operating with different leverage in their balance sheets. The team calculated the price target within a range of 12x to 14x band, using 13x, a little bit conservative to historical average considering the operations in Argentina and obtaining a target price of CLP$ 3.181. Please see figure 11 and appendix 6.

Multiple Valuations: Forward P/E: Because the PER reflects non-operating investments like acquisitions and non-operating investments, we believe this ratio does not provide adequate information for the valuation of the company. Nevertheless, it is important for our analysis to reflect the market sentiment about Cencosud and this method gives us the market`s insight about the company. Our target price for this method using a band of 19x to 21x, using 20x was CLP$ 2.803 and our conclusion is that the market has punished the share price because of its high leverage. But it is important to consider that the Paulmann group controls around 60% of the company and there is another 23% in the institutional investors the Chilean AFP´s so there is only a 17% subject to market speculation. Please see figure 12 and appendix 6.

Weighting of the models: We assigned 50% to FCFF and 50% to EV/EBITDA, in lieu of considering forward P/E since we strongly believe they reflect in a better way the actual situation of the company due to economic expectations in Latin America having our target price of CLP $ 3.144 per share with an upside of 24.74%, see figure 13.

Risks to Price Target: The associated risk of our target price relies on the assumptions of mainly terminal value with a 2.5% perpetual growth rate due to its large portion of the DCF and the dominance of markets perspectives over the multiple analysis which makes harder to determine the bands for EV/EBITDA and forward P/E.

Financial Analysis

The firm`s earnings are stable and are mainly reflected by the following activities:

Supermarkets: More than 50% of total revenues derived from this division, which offers a large variety of the basic basket products bought daily by families, with a high rate of repetition. This division is the main Core Business of the company, representing 70% of the total revenues obtained. By being basic and daily-consumed products, purchasing power is not preponderant so it can be said that this revenues will continue growing as the GDP arouses 5-6% annually in several regions where Cencosud operates. As most of acquisitions have been supermarkets and hypermarkets, we believe that revenues trend will maintain stable, see figure 10.

Shopping Centers: represent a 2% of total revenues, which in spite of being aggressive in capital needs, have allowed an increase in the EBITDA margins as SG&A are transferred to tenants, decreasing also future sales risks.

Regarding Financial Retail: In 2011 this area continued to provide its traditional support to their core business. It is important to remember that the Company's heart has always been in retail; hence, their policies in this segment have always been conservative compared to the rest of the industry. They represent a 3% of the total with 4.2 million credit cards issued and USD 3,3 M in credit card revenues. Though this area doesn`t enjoy a good appreciation over the last years due to several events as: The La Polar case, changes in terms of regulation, Dicom`s new law which promotes the "no payable culture", and the Maximum Conventional Rate which reduces the potential growth in the portfolio; this area is highly correlated to Home Improvement and Department Stores achievement since approximately more than 50% of sales in both areas are made through "Cencosud`s Card". This area provides a useful data base of consumer actions. All the above can be derived in an increase of 10.7% in EPS for 2022.

Key drivers: the continuously organic expansion that will take place in Peru and Colombia. Of course we must mention the recent acquisition in Brazil and the potential of underpenetrated markets. In addition there has been a better assessment and costs control, obtaining better margins (2.3%) due to SAP`s implementation in several business divisions and regions. Based in a conservative estimation, for 2013 the SSS in supermarkets division will be 4% in Chile, 3.5% in Argentina refer to appendix 5, 2.5% Brazil and 6% for Peru and Colombia where a potential growth is expected, refer to figure 14 and appendix 11. We estimate a construction rate of 4 shopping centers per year in the whole region, where we believe Cencosud is capable of reaching a 98% of occupancy and obtaining USD480 per sqm. SG&A as % of sales will grow in a minor rate than operational margin; this reflects a growth in efficiency due to the Back office's Company and better compensation politics, excluding Argentina.

Cash flow: Due to the large inventory management (52 days rotation) accounts receivable (43 days) and payables (104) and negotiations with suppliers, Cencosud has generated sustained positive flows over time. This has been aided by technological implementation SAP, becoming more efficient and decreasing costs. Investment and financial flows are affected mainly by the big annual investments in CAPEX and an increase in debt stock. However, it is important to clarify that the issued debts are used in expansion plans, which create a major value for the company in the long term. Please see appendix 4.

Balance sheet & financing: The company's balance sheet shows a high leverage level, reaching 1.3 times liabilities/equity in 2013. However, this situation will begin to improve gradually through the years, refer to appendix 7. NFD/ EBITDA, is always less than 3 times. Another important issue is that mostly all infrastructure assets correspond to detriment of financial assets, which are the generators of flows of the company, increasing the selling space surface. Within liabilities, it highlights the high stock holding company debt but as noted above, is due to expansion plans with strong expectations for Cencosud generation of future stable cash flows. Please see appendix 2.

Cencosud from the inside.

Social Responsibility: It is essential for Cencosud to constantly create social responsibility and environmental value where it operates. With more than 130 thousand employees in five countries, Cencosud is persistently concern about fair labor practices, commitment to inclusion, non-discrimination and respect for people working in the company.
Last year Cencosud made significant progress in energy efficiency by implementing new technologies making stores more efficient and sustainable. Also Jumbo has recently implemented the new frase "Eat Healthy", as a way of encouraging clients to eat better and by offering better products.
The company, through their good service and products, has achieved many awards that prove their excellent quality and good service leading them to be a company with a strong competitive advantage. Among them are:

- 9th place in most admired companies (Adimark study)
- 10th place in companies with best corporate reputation (Merco study)
- Honor roll in quality of service (Jumbo)
- Horst Paulmann :1st place among corporate leaders with best reputation (Merco study)

Horst Paulmann and board of directors: Currently with 77 years old, the German businessman continues to lead the battle. His perseverance has made him one of the richest men in Latin America. All decisions pass through his desk. Nine members who need to be no shareholders represent the committee of directors and may be re- elected without time limit. Please see appendix 15.

Employees: The firm strongly believes that human resource is the key factor in its ability to deliver an excellent service to their customers. The constant growth of Cencosud has brought the big challenge of ensuring that they count with the right leaders to address the growing complexities of their business. For that matter, in 2011 they have 6 different training programs for young professionals, both in operational and central areas. It is expected that a large proportion of these individuals will be well prepared to lead brightly their business in the future.

Private Labels: In 2011 there was a big emphasis in the development of Cencosud´s own brands. In the food category sales of their own brand have increased 3 times faster than sales from the supermarket division, gaining market participation and rising business margins. In the non-food category, the firm has been developing new brands and has renewed the group´s-leading brand, expecting to have their own products divisions in the long term.

Investments Risks

Operative Risks:

Aggressive Expansion: Cencosud is defined as an aggressive company with high levels of investment. With the incorporation of Prezunic in the late 2011 and plus the recent acquisition of Carrefour's supermarket chain in Colombia, Cencosud is facing an important debt challenge and must achieve optimum in the maturity curves and profitable operations over the next three years. For 2013 Cencosud expects that the contribution of Colombia represent 13% of the net revenue and a long term EBITDA of 10%.

IT and communication system failure: The implementation of SAP is crucial to an efficient operation by Cencosud. It is critical that the whole businesses operates with a unique and efficient model for handling orders and calculate the optimal product selection mix accurately for each store, being distributed at a minimum cost. A failure in this IT could cause severe losses in sales due to lack of inventory or an excessive cost in warehouses. Cencosud is aware of the importance of this matter and mitigates this risk by establishing yearly maintenance and updates of the information.

Financial risks:

Conventional Maximum Rate: Cencosud's business area is 13% of adjusted EBITDA and 3% of net income. With the new Chilean conventional maximum rate of 35% the retail companies that have a greater exposure to credit business will be hurt in terms of income reduction. Cencosud despite being affected by the reduction of the rate (55% to 35% for credits under US $9,375) will not be so damaged as other companies in the industry such as Ripley. An advantage is that this law decreases possible bad debts from debtors.

Increasing debt: With the acquisition of Carrefour's operations in Colombia for USD$ 2,600 billion including 400.000 square meters of real estate assets acquisition, the price implies a ratio EV / Sales of 1.27 x 2012 and EV / EBITDA 2012 of 20x. The acquisition has increased Cencosud`s debt, thereby increasing the stock's price risk.

Macroeconomic situation in Argentina: The complicated political and economic situation that Argentina has been going through increases the uncertainty of what might happen with Cencosud. This is reflected in a high inflation level of and serious policy problems where profits earned cannot be brought back to Chile. According to Cencosud´s strategy, they do not have an aggressive expansion on mind in this country; they are concentrated in consolidating and avoiding potential losses due to existing macroeconomic difficulties.

Investment risks: By having a presence in multiple markets, their dependence reduced and the impact of the economic cycle of any individual country where they have operations is mitigated. Most of their operations are concentrated in markets classified as investment grade by major rating agencies (Chile- Brazil, Peru and Colombia). These four countries have experienced strong macroeconomic recovery since 2009, and are the firm is better positioned to capitalize on future growth potential for next years.

Disclosures:

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Appendix 1: Income Statement

Income Statement MM CLP $	2010 A	2011 A	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Revenues	6.194.715	7.569.196	9.424.637	12.396.149	13.853.917	15.236.044	16.299.526	17.361.435	18.426.025	19.496.708	20.576.425	21.667.848	22.647.861
Operating Cost	(4.448.943)	(5.429.856)	(6.752.091)	(8.969.043)	(10.041.091)	(11.034.002)	(11.788.241)	(12.541.981)	(13.198.754)	(13.824.347)	(14.428.091)	(15.030.302)	(15.553.346)
Gross Margin	1.745.772	2.139.339	2.672.546	3.427.106	3.812.826	4.202.041	4.511.285	4.819.454	5.227.271	5.672.361	6.148.334	6.637.547	7.094.515
SG&A	(1.346.899)	(1.645.021)	(2.073.420)	(2.727.153)	(3.047.862)	(3.351.930)	(3.585.896)	(3.819.516)	(4.049.014)	(4.310.462)	(4.591.753)	(4.899.341)	(5.241.315)
Operating Income	450.258	585.299	599.126	699.953	764.964	850.112	925.389	999.939	1.178.257	1.361.900	1.556.581	1.738.206	1.853.200
Non-Operating Income	(69.683)	(166.311)	(104.976)	(155.914)	(160.748)	(161.919)	(167.384)	(167.682)	(168.825)	(170.759)	(176.472)	(162.000)	(155.340)
Net Income	306.481	298.426	360.729	397.149	441.078	502.381	553.344	607.547	736.885	869.532	1.007.479	1.150.630	1.239.437
EBITDA CENCOSUD S.A.	526.455	637.779	740.495	885.895	972.773	1.078.652	1.169.882	1.260.360	1.454.647	1.654.350	1.865.227	2.063.224	2.192.918
EBITDA USD	1.097	1.329	1.543	1.846	2.027	2.247	2.437	2.626	3.031	3.447	3.886	4.298	4.569
% EBITDA margin	8,5%	8,4%	7,9%	7,1%	7,0%	7,1%	7,2%	7,3%	7,9%	8,5%	9,1%	9,5%	9,7%

Appendix 2: Balance Sheet

Balance Sheet													
MM CLP$	**2010 A**	**2011 A**	**2012 F**	**2013 F**	**2014 F**	**2015 F**	**2016 F**	**2017 F**	**2018 F**	**2019 F**	**2020 F**	**2021 F**	**2022 F**
Total Current assets	1.544.653	1.870.371	2.198.485	2.876.479	3.192.905	3.494.803	3.840.190	3.766.138	3.640.684	3.878.784	3.807.825	4.572.306	4.089.461
Total Non-Current assets	4.615.349	5.439.044	5.789.044	6.289.044	6.789.044	7.289.044	7.789.044	8.289.044	8.734.044	9.179.044	9.624.044	10.069.044	10.514.044
Banking Assets	**192.530**	**195.055**	**195.055**	**195.055**	**195.055**	**195.055**	**295.055**	**545.055**	**1.195.055**	**1.745.055**	**2.545.055**	**2.745.055**	**3.645.055**
TOTAL Assets	**6.352.532**	**7.504.470**	**8.182.584**	**9.360.578**	**10.177.005**	**10.978.903**	**11.924.289**	**12.600.237**	**13.569.784**	**14.802.883**	**15.976.925**	**17.386.405**	**18.248.560**
Total Current Liabilities	1.781.415	2.022.858	1.923.883	2.555.563	2.861.023	3.143.935	3.358.841	3.573.606	3.760.741	3.938.992	4.111.018	4.282.606	4.431.638
Total Non-Current Liabilities	1.714.557	2.347.548	1.911.499	2.581.899	2.662.459	2.681.979	2.798.059	2.840.539	2.959.579	2.966.819	3.124.539	2.733.339	2.797.339
Total Banking Liabilities	**166.986**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**	**164.512**
TOTAL Liabilities	**3.662.958**	**4.534.918**	**3.999.894**	**5.301.974**	**5.687.994**	**5.990.426**	**6.321.412**	**6.578.656**	**6.884.831**	**7.070.323**	**7.400.068**	**7.180.457**	**7.393.489**
Shareholder´s Equity	2.614.707	2.874.438	4.082.734	3.953.651	4.378.810	4.872.766	5.481.381	5.894.010	6.551.002	7.591.913	8.429.176	10.050.884	10.692.254
Minority interest	74.886	95.196	99.956	104.953	110.201	115.711	121.497	127.572	133.950	140.648	147.680	155.064	162.817
Total Equity	**2.689.593**	**2.969.634**	**4.182.690**	**4.058.605**	**4.489.011**	**4.988.477**	**5.602.878**	**6.021.581**	**6.684.952**	**7.732.561**	**8.576.857**	**10.205.948**	**10.855.071**
TOTAL Liabilities + Equity	**6.352.551**	**7.504.552**	**8.182.584**	**9.360.578**	**10.177.005**	**10.978.903**	**11.924.289**	**12.600.237**	**13.569.784**	**14.802.883**	**15.976.925**	**17.386.405**	**18.248.560**

Appendix 3: Key Ratios

Debt Ratios	2011A	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Net Financial Debt (CLP MM)	2.143.174	1.911.499	2.581.899	2.662.459	2.681.979	2.798.059	2.840.539	2.959.579	2.966.819	3.124.539	2.733.339	2.797.339
Liabilities/Equity	1,53	0,96	1,31	1,27	1,20	1,13	1,09	1,03	0,91	0,86	0,70	0,68
EBITDA/Financial expenses	4,66	6,46	5,72	6,09	6,70	6,97	7,40	8,19	9,29	9,95	12,58	13,07
NFD/EBITDA	3,16	2,52	2,85	2,69	2,44	2,26	2,14	1,90	1,72	1,63	1,31	1,24

Valuation Ratios	2011A	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Market Price (CLP$/Share)	2.977	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525
EPS	131,81	142,35	140,13	155,63	177,26	195,24	214,37	260,01	306,81	355,48	405,99	437,33
P/U	22,6	17,7	18,0	16,2	14,2	12,9	11,8	9,7	8,2	7,1	6,2	5,8
EV/Ebitda	13,53	11,18	10,90	10,25	9,51	8,85	8,40	7,37	6,63	5,99	5,52	5,25
EV/Sales	0,00	0,88	0,78	0,72	0,67	0,64	0,61	0,58	0,56	0,54	0,53	0,51
Dividend yield (%)	1,3%	1,7%	1,7%	1,8%	2,1%	2,3%	2,5%	3,1%	3,6%	4,2%	4,8%	5,2%
P/Book Value	2,27	1,53	1,76	1,59	1,43	1,27	1,19	1,07	0,92	0,83	0,70	0,66
FCF yield (%)	1%	3%	3%	4%	5%	6%	7%	10%	12%	14%	16%	17%
ROA (%)	3,98%	4,41%	4,24%	4,33%	4,58%	4,64%	4,82%	5,43%	5,87%	6,31%	6,62%	6,79%
ROE (%)	10,4%	8,8%	10,0%	10,1%	10,3%	10,1%	10,3%	11,2%	11,5%	12,0%	11,4%	11,6%

Appendix 4: Cash-Flow

Statement of Cash Flow	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
MM CLP $											
Cash flow from operation											
Operating Income	599.126	699.953	764.964	850.112	925.389	999.939	1.178.257	1.361.900	1.556.581	1.738.206	1.853.200
(+) Depreciation	141.370	185.942	207.809	228.541	244.493	260.422	276.390	292.451	308.646	325.018	339.718
(+) Amortization Intangible Assets	57.141	68.569	82.282	98.739	118.487	142.184	170.621	204.745	245.694	294.833	353.799
(-) Financial expenses	(114.690)	(154.914)	(159.748)	(160.919)	(167.884)	(170.432)	(177.575)	(178.009)	(187.472)	(164.000)	(167.840)
(-) Tax	(133.420)	(146.891)	(163.139)	(185.812)	(204.662)	(224.709)	(272.547)	(321.608)	(372.629)	(425.575)	(458.422)
(-) Var. OPEX	(38.076)	(34.229)	(19.007)	(21.370)	(17.834)	(17.720)	(31.850)	(37.010)	(41.187)	(42.784)	(40.938)
Total cash from operation	**341.050**	**488.831**	**543.723**	**628.810**	**764.070**	**882.163**	**1.262.337**	**1.179.708**	**1.367.353**	**1.334.496**	**1.693.517**
Cash flow from investing											
(-) Net CAPEX	(350.000)	(500.000)	(500.000)	(500.000)	(500.000)	(500.000)	(445.000)	(445.000)	(445.000)	(445.000)	(445.000)
(-) Long-Term Investing		(1.248.000)									
(-) Short-term Investing					(100.000)	(250.000)	(650.000)	(550.000)	(800.000)	(200.000)	(900.000)
Total cash from investing	**(350.000)**	**(1.748.000)**	**(500.000)**	**(500.000)**	**(600.000)**	**(750.000)**	**(1.095.000)**	**(995.000)**	**(1.245.000)**	**(645.000)**	**(1.345.000)**
Cash flow from financing											
(-) Dividend paid	(108.219)	(119.145)	(132.324)	(150.714)	(166.003)	(182.264)	(221.066)	(260.860)	(302.244)	(345.189)	(371.831)
(-) Debt Amortization	(170.400)	(129.600)	(169.440)	(180.480)	(133.920)	(107.520)	119.040	(142.760)	(142.280)	(391.200)	(186.000)
(+) Debt	200.000	800.000	250.000	200.000	250.000	150.000		150.000	300.000		250.000
(+) Fund Raising		720.000									
(+) Financial Income	0	0	0	0	(1.500)	(3.750)	(9.750)	(8.250)	(12.000)	(3.000)	(13.500)
Total cash from financing	**(78.619)**	**1.271.255**	**(51.764)**	**(131.194)**	**(51.423)**	**(143.534)**	**(111.776)**	**(261.870)**	**(156.524)**	**(739.389)**	**(321.331)**
Net change in cash	(87.569)	12.086	(8.041)	(2.384)	112.647	(11.371)	55.561	(77.161)	(34.171)	(49.893)	27.186
Beginning cash	130.785	43.216	55.302	47.261	44.878	157.524	146.153	201.714	124.553	90.382	40.490
Ending Cash	43.216	55.302	47.261	44.878	157.524	146.153	201.714	124.553	90.382	40.490	67.675

Appendix 5: Discounted Cash Flow: FCFF

Valorizacion CENCOSUD	2013E
VP Flujos	11.158.315
Cash	55.302
Banking Assets	195.055
Assets economic value	11.408.672
Net Financial Debt	2.500.261
Minoritary Interest	104.953
Shareholder's Equity	8.803.458
Issued Shares	2834
Market Price	2520
Estimated Price	**3.106**
Upside/Downside	23%

DCF			1	2	3	4	5	6	7	8	9	10
	2011A	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Resultado Operacional	585.299	599.126	699.953	764.964	850.112	925.389	999.939	1.178.257	1.361.900	1.556.581	1.738.206	1.853.200
+ Depreciación	136.728	141.370	185.942	207.809	228.541	244.493	260.422	276.390	292.451	308.646	325.018	339.718
- Impuesto a la Renta	(122.893)	(133.420)	(146.891)	(163.139)	(185.812)	(204.662)	(224.709)	(272.547)	(321.608)	(372.629)	(425.575)	(458.422)
- Inversiones en Activos Fijos	(500.000)	(350.000)	(500.000)	(500.000)	(500.000)	(500.000)	(500.000)	(445.000)	(445.000)	(445.000)	(445.000)	(445.000)
- Inversión en Capital de Tra	(41.714)	(38.076)	(34.229)	(19.007)	(21.370)	(17.834)	(17.720)	(31.850)	(37.010)	(41.187)	(42.784)	(40.938)
Subtotal	57.420	218.999	204.776	290.628	371.470	447.387	517.931	705.251	850.733	1.006.411	1.149.864	1.248.558
Flujos Desc.			204.776	290.628	371.470	447.387	474.867	592.849	655.682	711.174	744.984	741.668
VP Flujos MM	5.235.486											
VAN MM	11.158.315											
N° Acciones MM	2.834											
Perpetuidad	7.978.758											
G	2,50%											

Appendix 6: Multiples Analysis

Valuation forward PER:

M CLP $	2009 A	2010 A	2011 A	2012 F	2013
Price	1.702	3.642	2.977	2.525	**2.525**
Net Income	201.041	306.481	298.426	360.729	**397.149**
Issued Shares	2.264	2.264	2.264	2.534	**2.834**
UPA	89	135	132	142	**140**
P/E	**19,2**	**26,9**	**22,6**	**17,7**	**18,0**

P/E target	Target Price					
	2008	2009	2010	2011	2012E	2013E
19,0	2.426	1.687	2.572	2.504	2.705	2.663
20,0	**2.554**	**1.776**	**2.707**	**2.636**	**2.847**	**2.803**
21,0	2.682	1.865	2.843	2.768	2.989	2.943

Valuation EV/EBITDA:

MM CLP $	12-2009	12-2010	12-2011	12-2012	12-2013	12-2014	12-2015	12-2016	12-2017	12-2018	12-2019	12-2020	12-2021	12-2022
Price	1.702	3.642	2.977	2.525	**2.525**	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525	2.525
Issued shares	2.264	2.264	2.264	2.534	**2.834**	2.834	2.834	2.834	2.834	2.834	2.834	2.834	2.834	2.834
Market Cap	3.854.183	8.245.570	6.739.556	6.398.611	**7.156.111**	7.156.111	7.156.111	7.156.111	7.156.111	7.156.111	7.156.111	7.156.111	7.156.111	7.156.111
Financial Debt	1.294.097	1.781.415	2.022.858	1.923.883	**2.555.563**	2.861.023	3.143.935	3.358.841	3.573.606	3.760.741	3.938.992	4.111.018	4.282.606	4.431.638
Cash	91.917	103.056	130.785	43.216	**55.302**	47.261	44.878	157.524	146.153	201.714	124.553	90.382	40.490	67.675
Net Financial Debt	1.202.180	1.678.359	1.892.073	1.880.667	**2.500.261**	2.813.762	3.099.057	3.201.317	3.427.452	3.559.026	3.814.439	4.020.635	4.242.117	4.363.963
EV	5.056.363	9.923.929	8.631.629	8.279.278	**9.656.371**	9.969.872	10.255.168	10.357.428	10.583.563	10.715.137	10.970.550	11.176.746	11.398.228	11.520.074
EBITDA	419.882	526.455	637.779	740.495	**885.895**	972.773	1.078.652	1.169.882	1.260.360	1.454.647	1.654.350	1.865.227	2.063.224	2.192.918
EV / EBITDA	12,0	18,9	13,5	11,2	**10,9**	10,2	9,5	8,9	8,4	7,4	6,6	6,0	5,5	5,3

EV/EBITDA	Target Price					
	2008	2009	2010	2011	2012E	2013E
12,0	2.483	1.694	2.049	2.545	2.764	2.869
13,0	**2.728**	**1.880**	**2.282**	**2.826**	**3.057**	**3.181**
14,0	2.972	2.065	2.514	3.108	3.349	3.494

Appendix 7: Quantifying and distributing selling surface expansion model.

		A	B	C		D	E	F	G	H	I
	Region	Population	Area Km^2	Density	% of Underpenetration of Food Retail Industry	Projected GDP growth 2012 E	Score of Population Density	Score of Projected GDP growth 2012E	Score of Underpenetrated Food Retail Markets	Weighted Total Score	Potential M^2 expansion
				A/B			C/C6	D/D6		E*30%+F*30% + G*40%	(H/SUM(H1:H5))*I6
1	Chile	17.403.000	757.000	23	37%	5,0%	88	128,87	3,70	66,56	70.329
2	Argentina	41.028.000	2.780.000	15	58%	2,6%	57	67,01	5,80	39,39	41.614
3	Peru	30.474.000	1.285.000	24	70%	6,0%	91	154,64	7,00	76,45	80.775
4	Colombia	46.598.000	1.142.000	41	52%	4,3%	156	110,82	5,20	82,23	86.879
5	Consolidated states of Brazil	46.779.558	1.019.987	46	58%	1,5%	176	38,66	5,80	66,63	70.403
6	**Latin America**	**182.282.558**	**6.983.987**	26		**3,9%**	**100**	**100**			**350.000**

The team has developed a model for quantifying and distributing potential selling surface expansion using demographic, economic and industry as variables, all of them, considered to be a relevant criteria for future expansion plans in a yearly basis.

First we combined population and region size in order to get the density factor. This is important for large markets and density because having people scattered across the region makes potential business opportunities less attractive. Assuming Latin America as a benchmark and considering the Brazilian states as a country but not entirely, only in the states it operates, because Cencosud does not operate entirely across the Brazilian market.

Afterwards we considered the world regional economic outlook of October, 2012 prepared by the IMF to include potential GDP growth in each country, and again, using Latin America as a benchmark.

Finally we considered the food retail underpenetrated rate, given by the company assigning a score from 1 to 10. For example, if Chile has a 37% of under penetration food retail rate, we assign 3.7 points.

Weighting the demographic, economic and industrial factors by 30%, 30% and 40% respectively, and we calculated the relative amount of selling surface to our main assumption of considering the company capable of expanding in 350.000 square meters per year, excluding shopping centers. This way we obtained how many selling surface is the proper amount for each market in a yearly basis.

We believe the results make sense mainly because it shows a higher potential for markets like Peru and Colombia and because the past investment guidance of the company showed it is possible to build 350.000 square meters per year assuming a building cost of USD 1.500.

Appendix 7: Continuation Model

	Business division	Average M^2 for new stores	Actual Stores	Actual M^2*Q	Estimated mix of M^2 per business division, excluding Shopping Centers	Potential M^2 per Region excluding Shopping Centers	Potential new stores	Potential M^2 per business division
Chile	Supermarkets	2.500	193	482.500	50%		14	35.165
	Home Improvement	9.500	30	285.000	30%		2	21.099
	Department Stores	5.000	76	380.000	20%		3	14.066
	Shopping Center	50.000	9	422.259	N/A		1	50.000
	TOTAL	-	**308**	**1.569.759**	**1**	**70.329**	**20**	**120.329**
Argentina	Supermarkets	3.000	274	822.000	50%		7	20.807
	Home Improvement	9.500	48	456.000	50%		2	20.807
	Shopping Center	-	14	231.183	N/A		0	50.000
	TOTAL	-	**336**	**1.509.183**	**1**	**41.614**	**9**	**91.614**
Brazil	Supermarkets	3.000	194	582.000	100%		23	70.403
	TOTAL	-	**194**	**582.000**	**1**	**70.403**	**23**	**70.403**
Perú	Supermarkets	3.000	75	225.000	70%		19	56.542
	Department Stores	5.000	-	-	30%		5	24.232
	Shopping Center	50.000	2	49.322	N/A		2	50.000
	TOTAL	-	**77**	**274.322**	**1**	**80.775**	**26**	**130.775**
Colombia	Supermarkets	5.263	76	400.000	30%		5	26.064
	Home Improvement	9.500	4	38.000	70%		6	60.815
	Shopping Center	50.000	0	-	N/A		1	50.000
	TOTAL	-	**80**	**438.000**	**1**	**86.879**	**12**	**136.879**

After obtaining how many square meters it is possible to achieve in each country, we still have to distribute them within the 5 business units the company operates, and therefore we assume a proper distributing mix for each country, considering future business development in new markets like Department Stores in Peru or Shopping Centers in Colombia.

We assume an average store surface in concordance to historical data and we combined them with the estimated mix as a base to distribute the potential expansion in each business division. Please exclude Shopping Centers when we assumed that the company is capable of opening 4 malls of 50.000 square meters each per year.

This is an extremely important factor of our projected revenues, since here is the foundation of our projected revenues by combining the potential new stores to the actual stores and the projected amount of selling surface in appendix 12.

Appendix 8: Revenues

Revenues MM CLP $	Region	2010 A	2011	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Supermarkets	Chile	1.680.022	1.826.056	1.968.799	2.147.991	2.314.569	2.487.065	2.616.051	2.745.548	2.875.662	3.006.490	3.138.119	3.270.632	3.371.394
	Argentina	1.370.236	1.553.663	2.314.430	2.436.444	2.551.643	2.645.710	2.715.737	2.786.591	2.858.285	2.930.836	3.004.259	3.078.570	3.122.998
	Brazil	842.901	1.552.064	1.885.789	2.211.196	2.524.894	2.812.220	3.094.548	3.373.230	3.649.294	3.923.550	4.196.649	4.469.130	4.696.750
	Peru	559.600	624.488	646.349	792.366	935.452	1.063.674	1.180.993	1.296.408	1.410.436	1.523.475	1.635.841	1.747.788	1.842.050
	Colombia	-	-	-	1.065.600	1.240.389	1.422.034	1.561.393	1.706.069	1.855.979	2.011.047	2.171.200	2.336.370	2.506.491
	Subtotal	**4.338.526**	**5.556.271**	**6.815.367**	**8.653.597**	**9.566.947**	**10.430.702**	**11.168.723**	**11.907.845**	**12.649.656**	**13.395.398**	**14.146.069**	**14.902.489**	**15.539.683**
Home Improvement	Chile	335.727	367.483	401.283	462.206	521.484	576.312	600.750	624.769	648.398	671.665	694.591	717.197	739.502
	Argentina	451.021	541.778	766.809	906.323	1.060.894	1.219.253	1.253.508	1.287.366	1.320.847	1.353.968	1.386.746	1.419.194	1.451.328
	Colombia	33.089	39.380	45.890	99.135	143.826	196.565	234.524	270.020	303.624	335.706	366.525	396.273	425.093
	Subtotal	**798.804**	**948.641**	**1.213.982**	**1.467.664**	**1.726.204**	**1.992.129**	**2.088.781**	**2.182.155**	**2.272.869**	**2.361.339**	**2.447.862**	**2.532.664**	**2.615.923**
Department Store	Chile	622.719	690.772	933.612	1.424.608	1.502.941	1.554.229	1.590.475	1.626.371	1.661.930	1.697.167	1.732.092	1.766.718	1.801.056
	Peru	-	-	-	304.288	422.961	530.111	622.880	710.083	792.926	872.219	948.538	1.022.313	1.093.875
	Subtotal	**606.743**	**690.772**	**933.612**	**1.728.896**	**1.925.902**	**2.084.340**	**2.213.355**	**2.336.454**	**2.454.857**	**2.569.386**	**2.680.630**	**2.789.032**	**2.894.931**
Shopping Centers	Chile	54.852	64.501	101.342	113.342	125.342	137.342	149.342	161.342	173.342	185.342	197.342	209.342	221.342
	Argentina	53.337	59.661	55.484	67.484	79.484	91.484	103.484	115.484	127.484	139.484	151.484	163.484	175.484
	Peru	8.802	5.565	-	12.000	24.000	36.000	48.000	60.000	72.000	84.000	96.000	108.000	120.000
	Colombia	-	-	11.837	23.837	35.837	47.837	59.837	71.837	83.837	95.837	107.837	119.837	131.837
	Subtotal	**113.990**	**129.727**	**168.663**	**216.663**	**264.663**	**312.663**	**360.663**	**408.663**	**456.663**	**504.663**	**552.663**	**600.663**	**648.663**
Financial Services	Chile	192.665	215.431	243.437	275.084	310.845	351.255	396.918	448.517	506.824	572.711	647.164	731.295	826.363
	Argentina	12.654	31.915	35.107	38.617	42.479	46.727	51.399	56.539	62.193	68.413	75.254	82.779	91.057
	Brazil	5.776	4.657	5.030	5.432	5.866	6.336	6.843	7.390	7.981	8.620	9.309	10.054	10.858
	Peru	2.853	8.741	9.440	10.196	11.011	11.892	12.843	13.871	14.981	16.179	17.473	18.871	20.381
	Subtotal	**208.459**	**260.744**	**293.013**	**329.328**	**370.201**	**416.209**	**468.003**	**526.317**	**591.979**	**665.923**	**749.200**	**843.000**	**948.660**
Cencosud	**TOTAL**	**6.357.821**	**7.803.841**	**9.424.637**	**12.396.149**	**13.853.917**	**15.236.044**	**16.299.526**	**17.361.435**	**18.426.025**	**19.496.708**	**20.576.425**	**21.667.848**	**22.647.861**

Appendix 9: OPEX

OPEX														
MM CLP $ Nom.	2009 A	2010 A	2011 A	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Current Assets	**970.283**	**1.345.183**	**1.656.559**	**2.072.241**	**2.738.150**	**3.062.617**	**3.366.899**	**3.599.639**	**3.832.123**	**4.051.108**	**4.266.368**	**4.479.581**	**4.693.954**	**4.883.923**
Receivables Net	549.218	778.066	887.086	1.110.300	1.460.368	1.632.105	1.794.931	1.920.218	2.045.320	2.170.737	2.296.872	2.424.072	2.552.651	2.668.104
Rotación	**36**	**45**	**41**	**43**	**43**	**43**	**43**	**43**	**43**	**43**	**43**	**43**	**43**	**43**
Inventories	421.065	567.117	769.472	961.942	1.277.781	1.430.512	1.571.967	1.679.421	1.786.803	1.880.370	1.969.496	2.055.509	2.141.303	2.215.819
Rotación	**38**	**47**	**52**	**52**	**52**	**52**	**52**	**52**	**52**	**52**	**52**	**52**	**52**	**52**
Current Liabilities	974.825	1.276.614	1.546.276	1.923.883	2.555.563	2.861.023	3.143.935	3.358.841	3.573.606	3.760.741	3.938.992	4.111.018	4.282.606	4.431.638
Payables Net	974.825	1.276.614	1.546.276											
Rotación	**88**	**105**	**104**	**104**	**104**	**104**	**104**	**104**	**104**	**104**	**104**	**104**	**104**	**104**
OPEX	**(4.542)**	**68.569**	**110.282**	**148.358**	**182.587**	**201.594**	**222.964**	**240.797**	**258.517**	**290.367**	**327.376**	**368.563**	**411.347**	**452.285**
Opex anual variation	**(164.269)**	**73.111**	**41.714**	**38.076**	**34.229**	**19.007**	**21.370**	**17.834**	**17.720**	**31.850**	**37.010**	**41.187**	**42.784**	**40.938**
Sales last 12 months	5.641.961	6.357.821	7.803.841	9.424.637	12.396.149	13.853.917	15.236.044	16.299.526	17.361.435	18.426.025	19.496.708	20.576.425	21.667.848	22.647.861
Cost last 12 months	4.039.255	4.448.943	5.429.856	6.752.091	8.969.043	10.041.091	11.034.002	11.788.241	12.541.981	13.198.754	13.824.347	14.428.091	15.030.302	15.553.346

Appendix 10: Cencosud´s real WACC

Country	Chile	Argentina	Brazil	Colombia	Peru
10-Yr Risk Free Rate	6,2%	23,8%	6,6%	6,1%	6,8%
Country Inflation	3%	15%	4%	3%	3%
Risk Premium	5,5%	5,5%	5,5%	5,5%	5,5%
Debt	40%	40%	40%	40%	40%
Equity	60%	60%	60%	60%	60%
Country Taxes (Long term)	20%	35%	34%	33%	30%
Beta	1,05	1,2	1,05	1,05	1,05
Cost of Equity	15%	49%	17%	15%	16%
Cost of Debt	6,4%	6,4%	7,0%	7,0%	7,0%
Nominal WACC	**11,1%**	**31,0%**	**11,8%**	**10,7%**	**11,4%**
Real WACC	**7,9%**	**14,0%**	**7,5%**	**7,8%**	**8,2%**

WACC rate Chile	
10 year risk free rate	6,2%
Chile Inflation	3,0%
Risk premiuem	5,5%
Debt to total Capital	40%
Return on equity	60%
Tax rate	20,0%
Equity Beta	1,05
Discount rate equity	15,2%
Tasa Dcto. Deuda:	6,4%
Nominal WACC	**11,1%**
Real WACC	**7,9%**

TASA WACC Brazil	
10 year risk free rate	6,6%
Brazil Inflation	4,0%
Risk premiuem	5,5%
Debt to total Capital	40%
Return on equity	60%
Tax rate	34%
Equity Beta	1,05
Discount rate equity	16,6%
Tasa Dcto. Deuda:	7,0%
Nominal WACC	**11,8%**
Real WACC	**7,5%**

WACC rate Peru	
10 year risk free rate	6,8%
Peru Inflation	3,0%
Risk premiuem	5,5%
Debt to total Capital	40%
Return on equity	60%
Tax rate	30%
Equity Beta	1,05
Discount rate equity	15,8%
Tasa Dcto. Deuda:	7,0%
Nominal WACC	**11,4%**
Real WACC	**8,2%**

TASA WACC Argentina	
10 year risk free rate	23,8%
Argentina Inflation	15,0%
Risk premiuem	5,5%
Debt to total Capital	40%
Return on equity	60%
Tax rate	35%
Equity Beta	1,20
Discount rate equity	49,0%
Tasa Dcto. Deuda:	6,4%
Nominal WACC	**31,0%**
Real WACC	**14,0%**

WACC rate Colombia	
10 year risk free rate	6,1%
Colombia Inflation	2,7%
Risk premiuem	5,5%
Debt to total Capital	40%
Return on equity	60%
Tax rate	33%
Equity Beta	1,05
Discount rate equity	14,7%
Tasa Dcto. Deuda:	7,0%
Nominal WACC	**10,7%**
Real WACC	**7,8%**

Appendix 11: Nominal Same Store Sales

SSS		2009 A	2010 A	2011 A	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Supermarkets	Chile	1,015	1,059	1,047	1,050	1,040	1,030	1,030	1,010	1,010	1,010	1,010	1,010	1,010	1,000
	Argentina	1,114	1,252	1,225	1,045	1,035	1,030	1,020	1,010	1,010	1,010	1,010	1,010	1,010	1,000
	Brazil	0,980	1,011	1,010	1,030	1,025	1,020	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,000
	Peru	0,975	0,977	1,065	1,060	1,050	1,040	1,020	1,010	1,010	1,010	1,010	1,010	1,010	1,000
	Colombia	-	-	-	-	1,060	1,050	1,040	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Home Improvement	Chile	1,017	1,237	1,049	1,070	1,100	1,080	1,060	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Argentina	1,018	1,278	1,323	1,300	1,150	1,140	1,120	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Colombia	-	0,964	1,118	1,090	1,040	1,020	1,100	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Department Stores	Chile	0,983	1,197	1,052	1,075	1,500	1,030	1,010	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	Peru	-	-	-	-	1,060	1,040	1,020	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Appendix 12: Projected stores

Projected Stores	Region	2010 A	2011 A	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Supermarkets	Chile	162	189	193	207	221	235	249	263	277	291	306	320	334
	Argentina	256	269	274	281	288	295	302	309	316	323	329	336	343
	Brazil	130	152	194	217	241	264	288	311	335	358	382	405	429
	Peru	64	74	75	94	113	132	150	169	188	207	226	245	263
	Colombia	0	0	76	81	86	91	96	101	106	111	116	121	126
	Subtotal	**612**	**684**	**812**	**880**	**949**	**1017**	**1085**	**1153**	**1222**	**1290**	**1358**	**1426**	**1495**
Home Improvement	Chile	29	29	30	32	34	37	39	41	43	46	48	50	52
	Argentina	48	48	48	50	52	55	57	59	61	63	66	68	70
	Colombia	4	4	4	10	17	23	30	36	42	49	55	62	68
	Subtotal	**81**	**81**	**82**	**93**	**104**	**114**	**125**	**136**	**147**	**158**	**169**	**179**	**190**
Department stores	Chile	34	35	76	79	82	84	87	90	93	96	99	101	104
	Peru	0	0	0	5	10	15	19	24	29	34	39	44	48
	Subtotal	**34**	**35**	**76**	**84**	**91**	**99**	**107**	**114**	**122**	**130**	**137**	**145**	**153**
Shopping centers	Chile	9	9	9	10	11	12	13	14	15	16	17	18	19
	Argentina	14	14	14	14	14	14	14	14	14	14	14	14	14
	Peru	2	2	2	4	6	8	10	12	14	16	18	20	22
	Colombia	0	0	0	1	2	3	4	5	6	7	8	9	10
	Subtotal	**25**	**25**	**25**	**29**	**33**	**37**	**41**	**45**	**49**	**53**	**57**	**61**	**65**

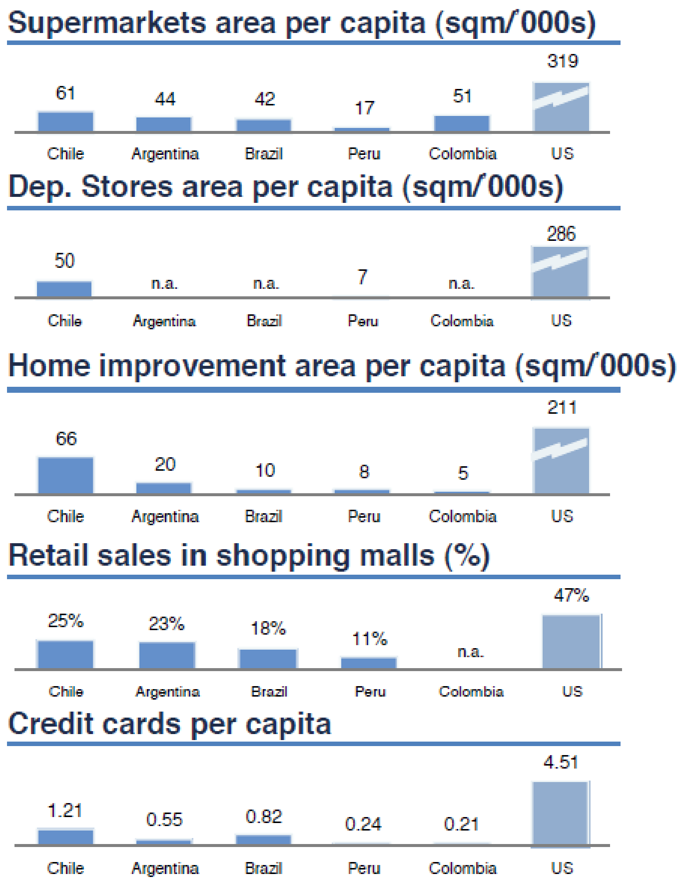
Selling Surface Sqm		2010 A	2011 A	2012 F	2013 F	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F	2020 F	2021 F	2022 F
Supermarkets	Chile	406.555	463.834	482.500	517.665	552.829	587.994	623.159	658.323	693.488	728.653	763.817	798.982	834.146
	Argentina	455.808	502.682	822.000	842.807	863.614	884.421	905.229	926.036	946.843	967.650	988.457	1.009.264	1.030.072
	Brazil	332.626	380.845	481.508	583.008	684.508	786.008	887.508	989.008	1.090.508	1.192.008	1.293.508	1.395.008	1.496.508
	Peru	209.642	233.331	225.000	281.542	338.084	394.627	451.169	507.711	564.253	620.796	677.338	733.880	790.422
	Colombia	-	-	400.000	426.064	452.128	478.191	504.255	530.319	556.383	582.446	608.510	634.574	660.638
	Subtotal	**1.404.631**	**1.580.692**	**2.411.008**	**2.651.086**	**2.891.164**	**3.131.241**	**3.371.319**	**3.611.397**	**3.851.475**	**4.091.552**	**4.331.630**	**4.571.708**	**4.811.786**
Home Improvement	Chile	273.625	276.325	285.000	306.099	327.198	348.296	369.395	390.494	411.593	432.692	453.790	474.889	495.988
	Argentina	364.317	391.485	456.000	476.807	497.614	518.421	539.229	560.036	580.843	601.650	622.457	643.264	664.072
	Colombia	34.309	34.309	38.000	98.815	159.631	220.446	281.262	342.077	402.893	463.708	524.523	585.339	646.154
	Subtotal	**672.251**	**702.119**	**779.000**	**881.721**	**984.443**	**1.087.164**	**1.189.885**	**1.292.607**	**1.395.328**	**1.498.050**	**1.600.771**	**1.703.492**	**1.806.214**
Department Stores	Chile	234.489	272.388	380.000	394.066	408.132	422.198	436.263	450.329	464.395	478.461	492.527	506.593	520.659
	Peru	-	-	-	24.232	48.465	72.697	96.930	121.162	145.394	169.627	193.859	218.091	242.324
	Subtotal	**234.489**	**272.388**	**380.000**	**418.298**	**456.596**	**494.895**	**533.193**	**571.491**	**609.789**	**648.088**	**686.386**	**724.684**	**762.982**
Shopping Center	Chile	273.983	282.693	422.259	472.259	522.259	572.259	622.259	672.259	722.259	772.259	822.259	872.259	922.259
	Argentina	214.002	227.396	231.183	281.183	331.183	381.183	431.183	481.183	531.183	581.183	631.183	681.183	731.183
	Colombia	-	-	-	50.000	100.000	150.000	200.000	250.000	300.000	350.000	400.000	450.000	500.000
	Peru	54.750	54.750	49.322	99.322	149.322	199.322	249.322	299.322	349.322	399.322	449.322	499.322	549.322
	Subtotal	**542.735**	**564.839**	**702.764**	**902.764**	**1.102.764**	**1.302.764**	**1.502.764**	**1.702.764**	**1.902.764**	**2.102.764**	**2.302.764**	**2.502.764**	**2.702.764**

Appendix 13: Portfolio Brand

Source: Company Release

Note: This is the company´s graphic chart.

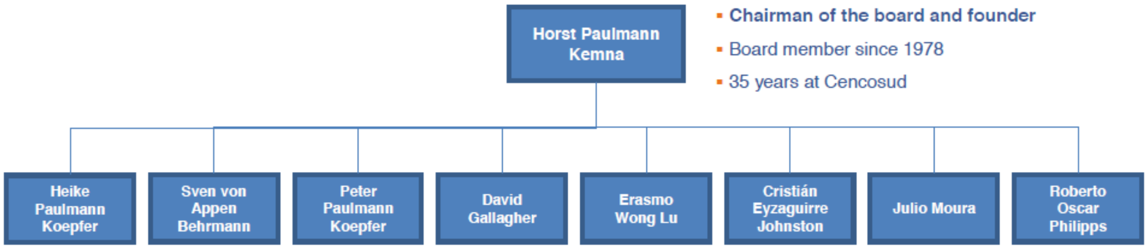
Appendix 14: Opportunities for Sustained Growth



Source: Company release

Note: This is the company´s graphic chart.

Appendix 15: Board of Directors



Source: Company release

Note: This is the company´s graphic chart.

Appendix 16: Porter Analysis

Entry barriers
Entry barriers that arise in this market are high due to the high sunk costs of marketing and growing infrastructure which means a great advantage of incumbents over potential entrants, and strategic points that present current location competitors. Relationships with multiple suppliers allow supermarkets to achieve economies of scope and economies of scale maximizing their margins.

Bargaining power of customers
Although customers have ease of switching companies, the latter has the ability to differentiate themselves by creating loyalty with its customers through a unique service, a wide variety of products, through nectar points or paying with “Cencosud´s Card”, which makes the possibility of switching suppliers and bargaining power, quite low.

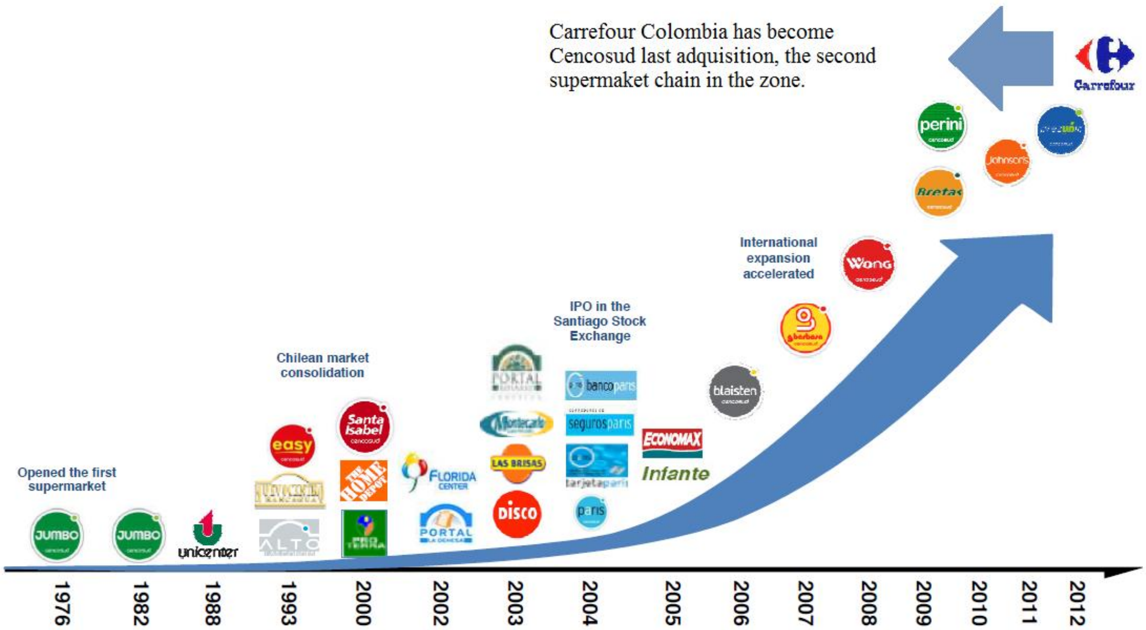
Bargaining power of suppliers or vendors
We can say that the bargaining power of suppliers against Cencosud´s supermarkets is low, although there are isolated cases of suppliers that have high bargaining power the general rule is that most do not, the firm counts with thousands of suppliers, decreasing the power of them. The company through their shopping centers has been able to benefit from costs by passing them to their tenants.

Substitutes and complements
Additional stores to supermarket businesses make it a more attractive industry by increasing the value of the company
As the supermarket business division is large and varied in sales, specialty stores will not be a high threat. Therefore, the threat of small businesses in individual’s wallet share is medium.

Competition
Although this industry has many competitors, the competition is benign. This is due to the importance of others factors besides price, making it possible to offer different strategies and to build strategies and prices based basically on their consumers. Department stores are an area with low margins due to the sharp competition; however, this business unit represents a small part of Cencosud´s business.

Final conclusion of the 5 forces Porter
It can be concluded that in general the market is not attractive to incoming firms, for reasons such as the large sunk costs in marketing, loyalty bonds that are created with consumers through the brand, the good service delivered, beneficial relationship with suppliers since the power that supermarkets have on them. Cencosud has great opportunities in the regions it operates.

Appendix 17: Cencosud timeline acquisitions



Source: Company release and team analysis

Note: This is the company´s graphic chart modified by the team