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*SCIENZE ECONOMICHE E
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**FINANCIAL ANALYSIS OF A COMPANY
LISTED ON THE LIMA STOCK
EXCHANGE:**

THE CASE OF UNACEM S.A.

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ABSTRACT

L'obiettivo di questa tesi è quello di effettuare un'analisi finanziaria esaustiva della società UNACEM, quotata alla Borsa di Lima (BVL).

Innanzitutto viene affrontato il contesto del sistema finanziario peruviano, descrivendone la struttura e le dinamiche che ne influenzano lo sviluppo.

Successivamente viene esaminato il funzionamento della BVL, evidenziandone l'andamento storico e la rilevanza nell'economia nazionale.

Viene effettuata un'analisi delle prestazioni della BVL negli ultimi anni, compresa la sua partecipazione ai mercati internazionali e le sfide che deve affrontare nell'attrarre investimenti esteri.

Infine, viene sviluppato un caso di studio sull'UNACEM, in cui viene effettuata un'analisi finanziaria qualitativa e quantitativa, valutandone la situazione finanziaria, la competitività e le prospettive future.

L'analisi copre sia i principali indicatori finanziari che l'ambiente economico in cui opera l'azienda, fornendo una visione completa della sua situazione attuale nel mercato peruviano.

Ringraziamenti:

Alla mia famiglia, che è il pilastro più importante della mia esistenza.

A te mamma, che mi insegni ogni giorno a lottare per i miei sogni, a migliorare come persona, a fare tutte le cose con il cuore, al tuo amore e sostegno incondizionale e alla tua grande fiducia in me dove il cielo è il limite.

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I. INTRODUCTION

The financial system of a country is fundamental for the development of its economy, and in the case of Peru, the Lima Stock Exchange (LSE) plays a key role in channeling resources towards productive activities and promoting investment. .

In recent years, the BVL has experienced significant growth, however, it faces challenges to consolidate itself as a relevant player in international markets. In this context, the financial analysis of companies listed on the BVL becomes essential to evaluate their performance and the capacity of the Peruvian market to attract and retain capital.

This research focuses on the financial study of the company UNACEM a Peruvian company, one of the main companies listed on the BVL and a leader in the Peruvian cement sector, located in the areas where the population with the highest purchasing power in the country is concentrated: Lima and Sierra Central. With more than 100 years of experience, high brand positioning and a varied portfolio of products Unacem has a leadership position with 47% participation in the local market (market share) .

Throughout this work, an analysis of the Peruvian financial system is carried out, the performance and competitiveness of the BVL is evaluated, and finally, the financial situation of UNACEM is analyzed qualitatively and quantitatively.

For determine the value of the Unacem company were analyze the individual and consolidated financial states.

To do this, secondary sources will be used of information such as audited financial statements of the company for the previous six years to 2023, annual company reports, economic reports, sector projections construction, and other bibliographic and digital sources of reliable origin.

The purpose of this study is to provide a clear view of the challenges and opportunities facing this company, as well as its market position in a constantly evolving financial environment.

II. ACRONYMS

Used in the text

AFP: Pension fund administrators
BCRP: Center Reserve Bank Peru
BMV: Mexican Stock Exchange
BVL: Lima Stock Exchange
CAVALI: Central Registry of Securities and Settlements
CCE: Electronic Clearing House
CNMV: National Securities Market Commission
CONASEV: National Supervisory Commission for Companies and Securities
ETF: Exchange Traded Funds
FIAB: Ibero-American Federation of Stock Exchanges
FTSE: Financial Times Stock Exchange
INDECOPI: National Institute for the Defense of Competition and the protection of Intellectual Property
IOSCO: International Organization of Securities commission
LIFFE: London International Financial Futures and Options Exchange
MAV: Alternative Securities Market
MEF: Ministry of Economy and Finance
MEI: Explicit Inflation Targets
MILA: Integrated Latin American Market
MSCI: Morgan Stanley Capital International
NIENM: Centralized Mechanism for negotiation of non-mass Issue Instruments
NYSE: New York Stock Exchange
PBI: Gross Domestic Product
PYMES: Micro and Small Business
SAB: Public limited company
SBS: Superintendency of Banking and Insurance of Peru
SMV: Securities Market Superintendence
WTW: World Federation of Exchanges

III. Chapter 1 THE PERUVIAN FINANCIAL SYSTEM

1.2 Current structure of the Peruvian financial system

The financial system is made up of various institutions and entities that act as intermediaries in an economy between a group of financial resource providers and a group of demanders, offering the former a service, security and a wide range of combinations of liquidity and profitability, and providing the latter with the financing required for their consumption and investment expenses, assuming a direct risk that the fund provider would not be in a position to assume.¹

From an institutional point of view, the financial system can be defined as the set of entities that generate, collect, manage and direct both savings and investment, in a political-economic unit.²

Therefore, the financial system fulfills the mission, in a market economy, of capturing the surplus of savers (economic units with a surplus) and channeling it towards public or private borrowers (economic units with a deficit).

The current structure of the Peruvian financial system is basically determined by the so-called Law No. 267002 of 1996³. This law establishes the legal framework for the operation and supervision of the financial system and the insurance system in Peru. The law addresses a wide range of aspects related to the Peruvian financial system, including the regulation of financial entities, the protection of users of financial services, the prevention of money laundering and terrorist financing, and the supervision of financial activities by the Superintendency of Banking, Insurance and AFP (SBS).⁴

In addition, there are other legal and regulatory provisions that complement and detail specific aspects of the Peruvian financial system, such as regulations on banks, insurance, the stock market, among others.

¹ Venganzones Jose, *Spanish financial system*, 1984, pag. 40-50.

² Moral Bello Cecilio, *The financial markets, International Technical and financial institute*, 1999, pag. 5-15.

³ General Law of the financial System and Insurance system and organic law of the superintendency of banking and insurance (Law n° 26702), promulgated on December 5, 1996. <https://www.bcrp.gob.pe/docs/Transparencia/Normas-Legales/ley-26702-general-sistema-financiero-sbs.pdf>

⁴ Marchini G., *The peruvian financial system 1970-2004*, 2004, pag 1-15.

The Peruvian financial system is made up of various institutions and entities that carry out financial activities to meet the savings, investment, credit and financing needs of the country's economy. The structure of the Peruvian financial system includes several components:⁵

Financial entities: These include banks, financial institutions, municipal banks, rural banks, savings and credit cooperatives, among others. These entities carry out operations to collect resources (deposits) and grant credits, in addition to offering other financial products and services such as savings accounts, credit cards, insurance, among others.

Financial markets: These are spaces where different financial instruments are traded, such as stocks, bonds, derivatives, among others. In Peru, the main financial markets are the Lima Stock Exchange (BVL), the securities market (where bonds and other instruments are traded), and the derivatives market.

Regulators and supervisors: Entities such as the Superintendency of Banking, Insurance and AFP (SBS) and the Superintendency of the Securities Market (SMV) regulate and supervise the Peruvian financial system. Its objective is to ensure the stability and solidity of the system, as well as to protect the interests of users and policyholders.

Central Reserve Bank of Peru (BCRP): This is the entity in charge of formulating and executing the country's monetary policy. Its functions include issuing currency, regulating the financial system, and ensuring price stability.

Clearing and settlement institutions: These are entities in charge of facilitating the clearing and settlement process for financial transactions, ensuring that they are carried out safely and efficiently. Examples in Peru include the Electronic Clearing House (CCE) and CAVALI.

⁵ SBS, *Financial Peruvian System*

<https://www.sbs.gob.pe/estadisticas-y-publicaciones/estadisticas-/sistema-financiero>

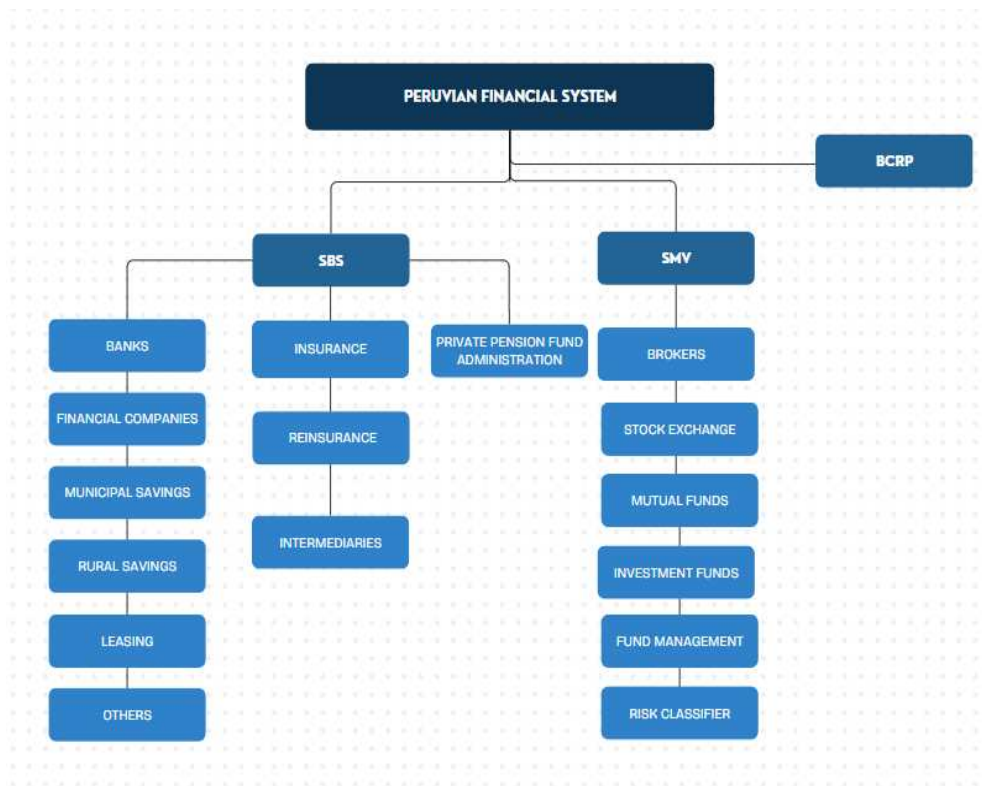


Image. 1.1 Organization of the Peruvian financial system *(source: Our elaboration on SBS Superintendency of Banking and Security of Peru data).*

1.3 Political Decision-Making Bodies of the Peruvian Financial System of Peru

These political-decisive bodies interact with each other and with other stakeholders to establish the legal and regulatory framework that governs the Peruvian financial system. Their decisions and policies have a significant impact on the stability and development of the country's financial sector.⁶

Congress of the Republic: The Congress is the legislative body of Peru and is responsible for approving laws related to the financial system. Through the enactment of laws and the modification of existing ones, the Congress can influence the regulation and supervision of the financial system.

Executive Branch – President of the Republic and his Cabinet: The President of the Republic and his Cabinet are responsible for formulating policies related to the financial system. The Ministry of Economy and Finance (MEF) is an important part of the Executive Branch and plays a key role in the formulation and execution of economic and financial policies.

Central Reserve Bank of Peru (BCRP): Although the BCRP is an autonomous entity, its political and monetary decisions are influenced by the central government. The BCRP board, composed of the president of the Central Bank and other members, makes important decisions regarding the country's monetary policy and financial stability.

Superintendency of Banking, Insurance and AFP (SBS): Although it is a technical and supervisory entity, the SBS can also influence financial policies by issuing regulations and directives that affect the functioning of the financial system.

⁶ Meléndez M., *The Independence (as an attribute) of South American regulatory bodies special emphasis on the peruvian case*, 2019, pag 201-238.

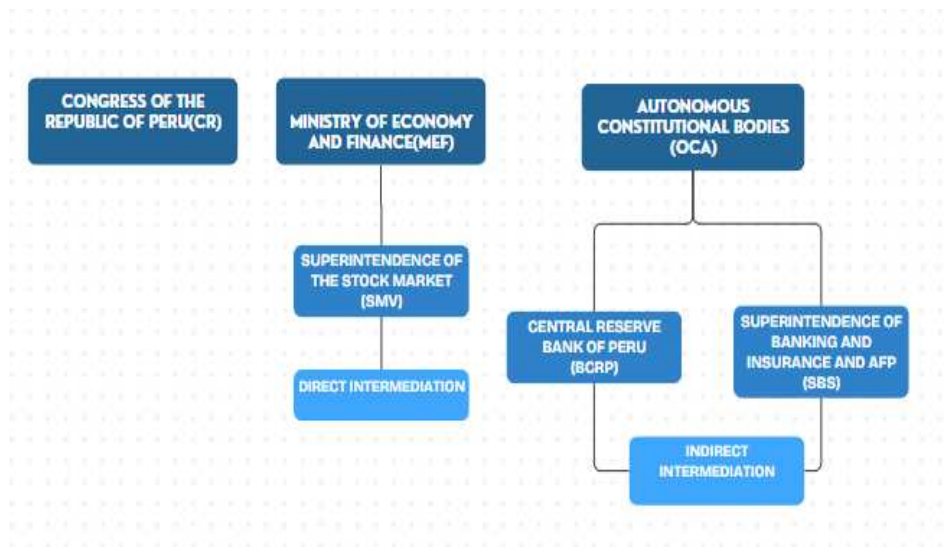


Image. 1.2 Regulatory structure of financial markets in Peru (*source: Own elaboration on BCRP Center Reserve Bank of Peru data*).

1.4 Central Reserve Bank of Peru

It is the regulator par excellence of the financial system, it regulates the monetary policy of the country and ensures the proper use of the international reserves that the country has.

1.4.1 Historical evolution and current situation of the BCRP

It was created on March 9, 1922, by law No. 4500, which gave rise to the Reserve Bank of Peru. Eulogio Romero was elected the first president of this institution. The creation of the BCR was based on the need to have an organization capable of organizing monetary policy through monetary instruments such as the issuance of bank notes. The unit was the Peruvian Gold Pound and there was no state institution in Peru that issued currency; the issuance was in charge of private banking, supervised since 1914 by the so-called Surveillance Board created during the provisional government of Oscar Benavides. The creation of the reserve bank brought the novelty that the issuance of coins and notes within Peruvian territory was centralized in that institution. In 1931 another important change occurred. The Reserve Bank of Peru became the Central Reserve Bank

of Peru and was given a fundamental task, which was to maintain the value of the currency (the golden sol) and not suffer abrupt variations.⁷

Since that year, the BCRP has undergone several changes, but its purpose remains, which is to maintain the stability of the currency. Unlike other central banks such as the Federal Reserve Board, it has among its objectives to guarantee full employment⁸ and the organic law of the BCR establishes that its only purpose is to establish monetary stability. In order for the BCRP to fulfill its function, the constitution establishes that it is an autonomous body, not answerable or obeying any legislative, executive or judicial power. Additionally, the constitution prohibits the BCRP from financing the treasury or state development institutions. This is because at the end of the 80s and beginning of the 90s, Peru went through a period of hyperinflation of 7,600%.⁹

1.4.2 Administrative Organization

Its administrative organization is made up of several bodies and units that are responsible for different functions. Below are the main components of the BCRP's administrative organization:¹⁰

Board of Governors: This is the highest decision-making body of the BCRP and is made up of seven members: the president of the Central Bank and six directors. It is responsible for formulating the bank's monetary policy, approving the guidelines for the administration of international reserves, determining and regulating the issuance of banknotes and approving the BCR budget, among others. As occurs in several countries, the BCR board of directors is not elected by popular vote, but the constitution establishes a procedure in which the executive and legislative branches are involved. Thus, the executive branch appoints 4, including the president, however, he must be ratified by the congress of the republic. In addition, the legislative branch must elect the remaining 3 members of the board with the vote of the absolute majority of the legal number of its members, that is, 66 congressmen. The directors of the BCR are elected for a period of 5 years and there is no impediment to their reelection.

⁷ Center Reserve Bank of Peru <https://www.bcrp.gob.pe/>

⁸ Constitution of Peru, 1993.

⁹ Renzo Rossini M., *The role of the Central Reserve Bank of Peru in the Peruvian economy and economy forecasts for Peru*, 2021, pag 17-26.

¹⁰ Center Reserve Bank of Peru

<https://www.bcrp.gob.pe/sobre-el-bcrp/organizacion/organigrama.html>

General Management: Headed by the General Manager, it is in charge of the management and coordination of the daily activities of the BCRP. It is responsible for implementing the decisions made by the Board of Governors and ensuring the proper functioning of all areas of the bank.

Central Management: These are organizational units in charge of specific areas of work, such as the Operations Management, Economic Studies Management, Monetary Policy Management, among others. Each central management has specific functions and responsibilities within the framework of the policies and objectives established by the Board of Governors.

Support Management: These are support units that provide services to the operational areas and central management. This includes areas such as the Human Resources Management, Information Technology Management, Administration Management, among others.

Regional Offices: The BCRP has regional offices located in different parts of the country. These offices represent the central bank in their respective regions and perform functions such as collecting economic and financial information, as well as dissemination and education activities on economic issues.

1.4.3 Functions

There are two fundamental aspects that the Peruvian Constitution¹¹ establishes in relation to the Central Bank: its purpose of preserving monetary stability and its autonomy. According to the Constitution, the Central Bank has the following functions:¹²

- Regulate the currency and credit of the financial system.
- Manage international reserves.
- Issue banknotes and coins.
- Report periodically on national finances.

¹¹ Title III, Chapter V, Article n° 84 of the Peruvian constitution: *The central bank is a legal entity under public law. It has autonomy within the framework of its Organic law. The purpose of the central bank is to preserve monetary stability.*

¹² Center Reserve Bank of Peru

<https://www.bcrp.gob.pe/sobre-el-bcrp/finalidad-y-funciones-del-bcrp.html>

1.5 Application and measures of Peruvian monetary policy

The design of Peruvian monetary policy is carried out with precision by the Central Reserve Bank of Peru, which is responsible for its implementation and has full freedom to establish the necessary monetary instruments. In the last 25 years, Peruvian monetary policy has been subject to important structural transformations, which have affected both the objectives pursued and the way to achieve them. Within these transformations we can see the most important phases:

First. In 1990, a program was started to end the accumulated hyperinflation¹³ of consumer prices since 1988 in Peru, which had been around 2,484.138%, consequently a fall in GDP is also observed, resulting in the demand for money being reduced to its minimum expression. The BCR acts by eliminating its financing to the government and banks, controlling the growth of primary emission and unifying the exchange rate and float. As a result, credit in dollars increased, the economy recovered and was based on short-term credit abroad.

Second. 1998 financial crisis, the BCRP did not have enough resources to support the banks, it had only 9 billion in reserves, in response to the lack of support that the banks felt, they contracted credit, giving rise to the famous credit crunch¹⁴ from 26 to 14 banks between 1996 and 2004. As for the number of companies declared insolvent in this period by INDECOPI¹⁵, they went from 200-300 companies a year to 1,600-1,800. It gave a lesson to avoid unsustainable credit expansion and to have more liquidity to support the banks in future crises.

Third. 2002 Inflation Targeting. Peru became the first country to adopt inflation targeting due to initial deflation, since it did not occur because inflation was high but because it was very low. The BCRP had to apply an expansionary policy, giving as an interest the possibility of having a countercyclical economy, anchoring inflation expectations at 2% and promoting confidence in the new sol.

Fourth 2008 International financial crisis, Subprime Crisis international investors lose mortgage assets disappearing. Reduction of reserve requirements on obligations in soles and in US dollars, injected liquidity. The BCRP injected about 9 points of PBI through deposits, selling dollars lowering the reserve requirement and consequently credit did not fall. As an action in the face of this

¹³ Hyperinflation is the cause of the central bank's financing of the fiscal deficit.

¹⁴ Credit/PBI: 28% in 1999 to 18% in 2004. *Credit constraint due to decline in bank credit.*

¹⁵ National Institute for the Defense of Competition and the protection of Intellectual Property

imminent crisis, the BCRP applied the reserve requirement as a macroprudential tool repositioning currency to provide long-term liquidity in soles and expand credits in soles.

Fifth 2015 Financial stabilization. Since 2015, Peruvian monetary policy has been marked by various efforts to maintain financial stability in the midst of a volatile global economic environment and internal challenges. The BCRP reduced the reference interest rate to stimulate the region amid slowing growth and low inflation and in the following years, when inflation began to show signs of increasing and the world region showed signs of recovery, the BCRP gradually increased the interest rate to control inflationary pressures.

Since 2002, the Central Reserve Bank of Peru has implemented its monetary policy under a scheme of explicit inflation targets MEI.¹⁶

The success of this scheme is the achievement of the target in three consecutive years and the consequent reduction of uncertainty about this variation in the long term. Likewise, these positive results have helped to reinforce confidence in the domestic currency, promoting the substitution of the dollar for the sol, with the consequent decrease in the level of dollarization in the Peruvian economy.¹⁷

The Board of Directors of the Central Reserve Bank of Peru (BCRP) agreed on the reference interest rate at 25 basis points to 6.0 percent.¹⁸ Future adjustments in the reference rate will be conditioned by new information on inflation and its determinants.

Between 2021 and the first half of 2023, interest rates were raised to counteract the effects of inflation. The BCRP interest rate has always been the lowest among the large countries in the region.

¹⁶ Central Reserve Bank of Peru <https://www.bcrp.gob.pe/politica-monetaria.html>

¹⁷ Jorge Rojas, *From megainflation to monetary stability monetary and exchange policy Peru*, 2002, pag 167-170.

¹⁸ Central Reserve Bank of Peru <https://www.bcrp.gob.pe/docs/Transparencia/Notas-Informativas/2024/nota-informativa-2024-01-11.pdf>

La tasa de inflación a doce meses disminuyó a 2,4% en abril de 2024, dentro del rango meta

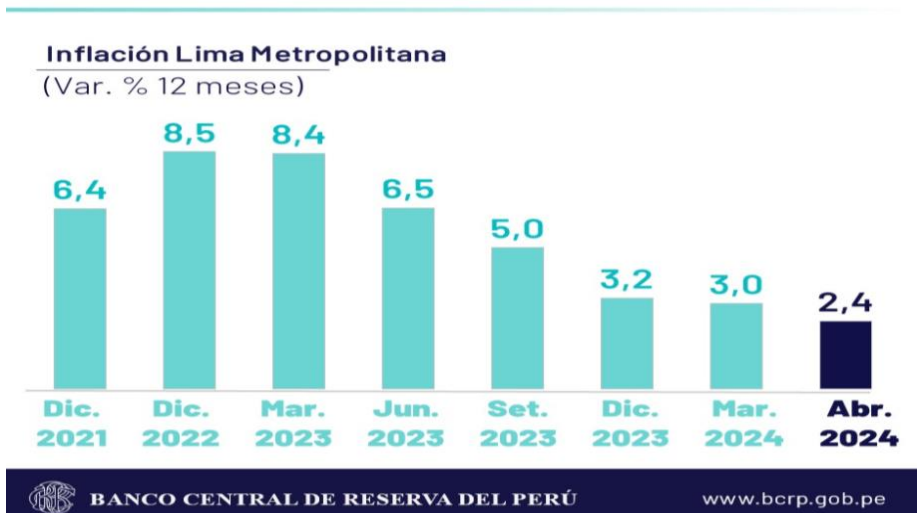


Image. 1.3 Projection of the last 4 years on the inflation rate of metropolitan Lima verifying a decrease of 2.4% by April 2024, being in the target range (source: BCRP Center Reserve Bank of Peru data).

1.6 Incidence of the banking system in the financial system of Peru

Since the banking financial system represents about 85% of the market, concentrating the largest amount of asset placements and deposits and having financial intermediation¹⁹ as its main function, there is a need to analyze this specific subsector in greater depth, given its great influence on credit risk within the financial system and, consequently, on the Peruvian economy.

The main banking service is the placement of credits, however, other of its main services are the constitution of deposits, and the payment management service, thus demonstrating the importance of this sector within the national economy.²⁰ According to information from the Superintendency of Banks, Insurance and AFP (SBS) as of January 1, 2024, Table 1 shows the structure of the financial system expressed in thousands of soles, within which multiple banking represented 84.2% of the credits in Peru with S/ 348,095,694 million, and 80.8% of the deposits with 340,440,000 million.²¹

Then, it is confirmed that of the 100% participation in assets, 82.5% is concentrated by multiple banking and the remaining 17.5% is distributed among all the other entities that make up the financial system, that is, municipal savings and credit banks, rural banks, SMEs and financial leasing companies.

However, it can be said that banks are the financial entities that place the most credits in Peru. Regarding the credit structure indicated in the table, as well as the assets, the highest concentration is found in Commercial Banking, concentrating 84.2% of the total. Likewise, it can be seen that Commercial Banking concentrates 80.8% of the deposits.

¹⁹ Capture money from savers and others, to then finance natural and/or legal persons.

²⁰ Gonzalos Carlos & Alvarez Victor, *The case of the banking system in Peru 2019-2020*, 2021, pag 7-14.

²¹ SBS: https://www.sbs.gob.pe/app/stats_net/stats/EstadisticaBoletinEstadistico.aspx?p=14#

As far as the market composition of Commercial Banking is concerned, a great similarity can be seen in its structure of placement of direct credits with the market composition of the financial system, where, in addition to banking entities, municipal, rural, financial, etc. savings banks are included. Indicating a great correlation between the market composition of the banking system and that of the financial system as a whole. In conclusion, Commercial Banking, or banking entities, are those that contain the greatest participation within the entire financial system regarding indirect financial intermediation.²²

SISTEMA FINANCIERO - ESTRUCTURA							
enero 2024	Número de Empresas	Activos		Créditos		Depósitos	
		Monto (Miles S/)	%	Monto (Miles S/)	%	Monto (Miles S/)	%
		Banca Múltiple	17	522.325.280	82,5	348.095.694	84,2
Empresas Financieras	9	17.342.403	2,7	14.683.014	3,6	8.622.715	2,0
Cajas Municipales (CM)	12	42.400.617	6,7	36.009.245	8,7	31.335.635	7,4
Cajas Rurales de Ahorro y Crédito (CRAC)	5	1.736.775	0,3	1.398.866	0,3	1.189.886	0,3
Empresas de Créditos	6	3.146.551	0,5	2.793.898	0,7	-	-
Banco de la Nación ^{1/}	1	45.595.993	7,2	9.538.995	2,3	39.779.399	9,4
Banco Agropecuario (Agrobanco)	1	532.549	0,1	844.907	0,2	-	-
Total		633.080.169	100	413.364.621	100	421.371.635	100

Tab. 1.1 Structure of the Peruvian Financial System, as of January 2024

https://www.sbs.gob.pe/app/stats_net/stats/EstadisticaBoletinEstadistico.aspx?p=14# (source: SBS Superintendency of Banking and Insurance of Peru data).

²² Apaza Condori José, *A study of the Peruvian Banking system*, 2016, pag 67-107.

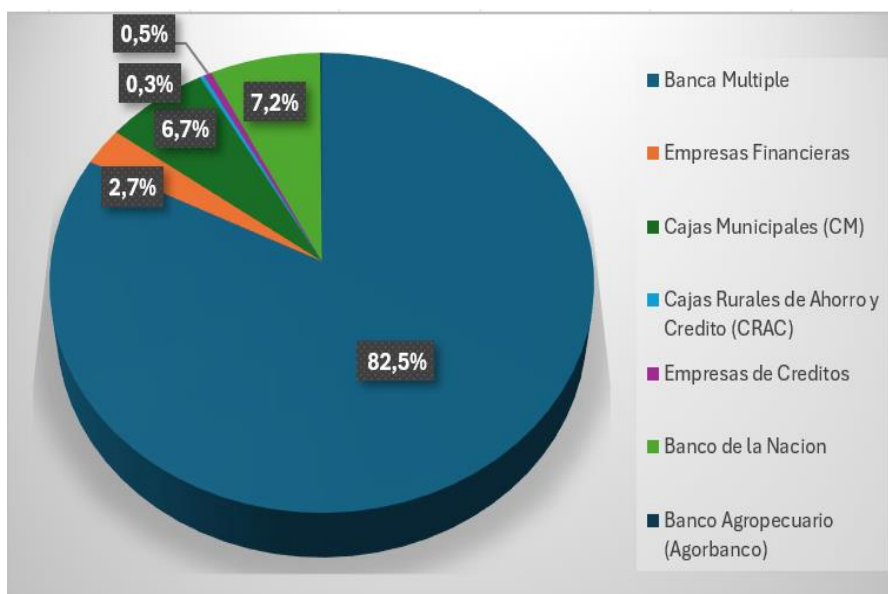


Image. 1.5 Assets in the financial system of Peru by type of institution, as of January 2024 (source: Adapted from “Statistical Bulletin: Financial System,” by the Superintendency of Banking and Insurance of Peru, 2024).

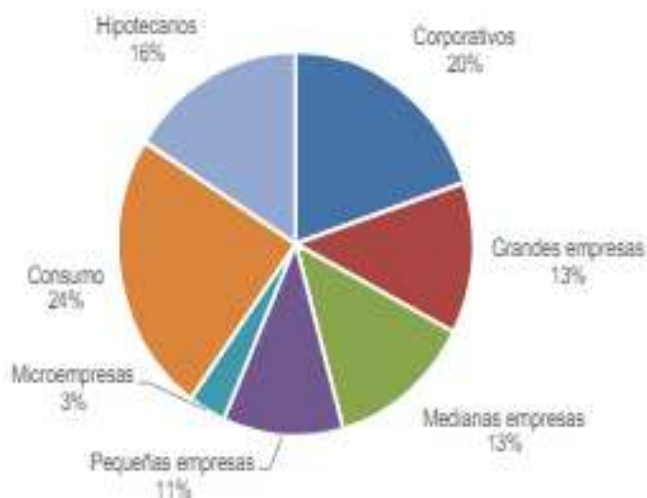


Image. 1.6 Composition of the multiple banking market, as of January 2024 (source: Superintendence of Banking, Insurance and AFP).

1.7 Current situation of the Peruvian financial system

The Peruvian financial system is in adequate conditions to face the main risks of the sector thanks to its strength and stability in 5 key areas.²³

It has sufficient resources to meet its short-term obligations with more than 130 billion soles in cash at the beginning of 2023, almost three times what was required by the SBS. In addition, most financial institutions have regained their strength after the pandemic. The delinquency rate of the financial system has increased in recent years from 1.4% in 2007 to 4.3% at the end of 2022, mainly due to higher loans to SMEs. However, the financial sector has a limited risk since SMEs with higher delinquency represent only 22% of loans, while large companies with delinquency rates of less than 3% represent more than 70% of total credit. Over the past 25 years, the Peruvian financial system has recovered from abrupt fluctuations in the exchange rate due to the lower percentage of loans in dollars and the increase in net international reserves, which have multiplied by 8. In addition, the Peruvian sol is less volatile compared to other currencies in the region. Despite the fact that prices have increased worldwide, the inflation rate in Peru of 8.4% is still one of the lowest rates in Latin America. This demonstrates the strength of the Peruvian currency and makes investments in the financial system less vulnerable. Despite the pandemic and political instability, Peru continues to have significant fiscal strength. At the end of 2022, the country had the lowest public debt in Latin America (35% of PBI) and one of the lowest fiscal deficits (1.7% of PBI).

The strength of the Peruvian financial system is due to responsible macroeconomic policies and a prudent regulatory framework established over the last 30 years. However, the main risk remains political instability and initiatives without technical support that include expenses and affect the financial system.

²³ SBS, *Stability report of the Peruvian financial system*, <https://www.sbs.gob.pe/Portals/0/IESF-2024-1.pdf>

IV. Chapter 2 THE LIMA STOCK EXCHANGE

2.1 Definition and functions of a stock exchanges

Stock markets were created as a result of the financial activity caused by the confrontation of two forces: the supply and demand of capital.²⁴

Stock exchanges are legal entities with special characteristics that can adopt the legal structure of civil associations or public limited companies. Their purpose is to facilitate the negotiation of registered securities, providing the appropriate services, systems and mechanisms for the fair, competitive, orderly, continuous and transparent intermediation of publicly offered securities, derivative instruments and instruments that are not subject to massive issuance that are negotiated in centralized negotiation mechanisms other than the stock exchange that operate under the direction of the stock exchange.²⁵

The origin of the stock exchange as an institution dates to the end of the 15th century, specifically in the medieval fairs of Western Europe, where the transactions of securities began. The word "Stock Exchange" emerged in the city of Bruges (Belgium) at the end of the 16th century. In 1460, the Antwerp Stock Exchange was created, which represented a new institutionalization of the market and was to be the model for the organization of the stock exchanges that followed it. The New York Stock Exchange was founded in 1792 and the Paris Stock Exchange two years later.

Euronext²⁶, the second stock exchange in Europe, was formed in 2000, initially with the merger of the Amsterdam, Paris and Brussels stock exchanges; later the Lisbon Stock Exchange and the London International Financial Futures and Options Exchange (LIFFE) were incorporated.

In December 2006, NYSE Euronext²⁷ approved the merger of the New York Stock Exchange (considered the largest in the world) and Euronext. The Lima

²⁴ Miralles Quiroz Jose L., *Stock Market Analysis*, 3er Edition, 2011, pag 17

²⁵ Law of the market of value

https://www.smv.gob.pe/uploads/PeruLeyMercadoValores_002.pdf

²⁶ Grace Pownall-Maria Vulcheva-Xue Wang, *The creation and segmentation of the Euronext stock Exchange*, 2025, pag 853-885.

²⁷ The NYSE-Euronext is currently the world's leading financial center and operations on the following stock exchanges: Brussels, Paris, Amsterdam, Lisbon, London, Chicago, New York and San Francisco.

Stock Exchange was founded in 1971 and has the following historical background: the Lima Stock Exchange was created in 1860; the Lima Commercial Exchange in 1898; and the new Lima Stock Exchange in 1951.²⁸

Stock exchanges play a fundamental role in the economy by providing an organized and regulated market for the trading of securities, which facilitates investment, promotes transparency and supports economic growth.

2.2 History and evolution of the Lima Stock Exchange

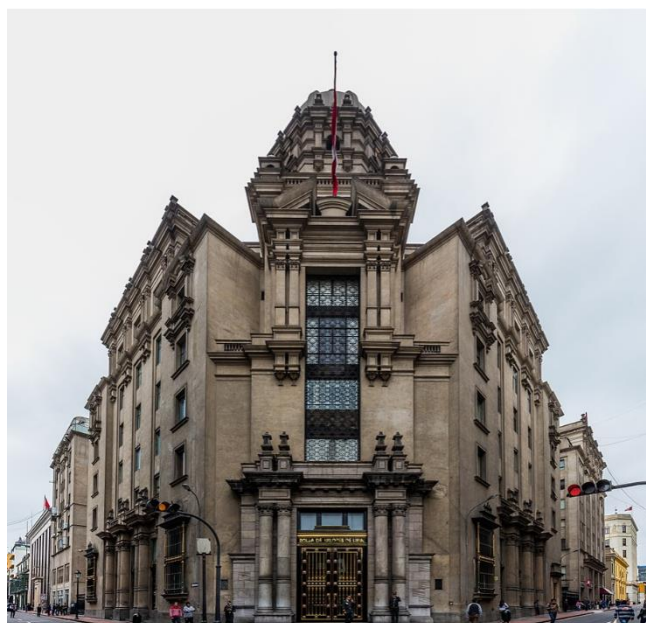


Image. 2.1 *Lima Stock Exchange Building*

The Lima Stock Exchange has its origins in what was the Lima Stock Exchange, a project that was promoted by the then president of Peru, Marshal Ramón Castilla, and which began operations on January 7, 1861.²⁹

In 1971, what we know today as the Lima Stock Exchange was finally created, regulated by legislative decree no. 861 – Securities Market Law – and supervised

²⁸ Fernando Vidal, *Lima Stock Exchange*, 1986, pag 87-103.

²⁹ BVL <https://www.bvl.com.pe/quienes-somos/quienes-somos-bvl/bolsadevaloresdelima>

by the National Commission of Companies and Securities CONASEV (today the Securities Market Superintendence, SMV).

Later, in November 2002, through an extraordinary shareholders' meeting, it was transformed into a public limited company and began operating as such on January 1, 2003. The recent history of the BVL is mainly characterized by the implementation of technological and operational instruments for its better performance. Thus, in 1995 the electronic platform ELEX was installed, which is a trading system that allows transactions to be made using computers from anywhere in the world. In 1997, CAVALI S.A. was created by the Operations Department of the BVL, a regulatory body that performs multiple functions between the different stockbrokers, mainly that of clearing and settling the transactions that are made. On the other hand, since 2002 the stock market information has been fully uploaded to the BVL website and can be consulted in real time by users, which has allowed for improved dissemination and transparency.³⁰

With the purpose of growing as an economic agent, the Lima Stock Exchange has been making efforts to increase the amounts of the negotiations and operations it carries out. In 2001, the MIENM (Centralized Mechanism for Negotiation of Non-Mass Issue Instruments) was created, which trades securities such as invoices, promissory notes, bills, among others. Following this line, in 2013 the MAV (Alternative Securities Market) began operations, seeking to integrate small and medium-sized companies into the stock market. On the international level, in 2011 the MILA (Integrated Latin American Market) began operations, which arose from the integration of the Colombian Stock Exchange, the Santiago Stock Exchange and the Lima Stock Exchange.

This initiative was born with the purpose of increasing investments between these countries and making the markets more liquid. Finally, continuing in the search for new investors, the BVL has been promoting and holding different events both nationally and internationally, of which the most representative is PeruDay, which has been held on Wall Street and the London Stock Exchange since 2011, and what is currently in Peru, which is a proposal by the BVL to publicize the economic environment of Peru through talks and exhibitions in the main stock exchanges of the world.

³⁰ Giesecke Margarita, *The Lima Stock Exchange*, 1997, pag 120-140.

2.2.1 Organization of the BVL

The Lima Stock Exchange (BVL) has an organizational structure that allows for the proper administration and operation of its operations. A typical structure of the BVL is described below, although there may be specific variations in some details:³¹

1. **General Shareholders' Meeting:** It is the highest decision-making body of the BVL. It is made up of the shareholders of the BVL. It makes important decisions, such as the approval of financial statements, election of the Board of Directors, and modification of bylaws.
2. **Board of Directors:** Body in charge of the general administration and strategic direction of the BVL. It is made up of a president and several directors, elected by the General Shareholders' Meeting. It defines policies, supervises management, and makes decisions on important matters.
3. **Chairman of the Board of Directors:** The Chairman of the Board of Directors has representative and executive functions. He acts as a link between the Board of Directors and general management.
4. **General Management:** Responsible for the daily operational and administrative management of the BVL. Headed by the General Manager, who is appointed by the Board of Directors. Implements the policies and strategies defined by the Board of Directors
5. **Specialized Committees:** There are several specialized committees that support the Board of Directors in specific areas, such as the Audit Committee, the Risk Committee, and the Ethics Committee. These committees are made up of members of the Board of Directors and external experts, and have advisory and supervisory functions.
6. **Support Departments and Units:** Various departments and units that provide support to the assistant managements in specific areas such as human resources, legal, marketing, and customer service.

³¹ FIAB *Ibero-American Federation of Stock Exchange*
<https://handbook.fiabnet.org/bolsa-de-valores-de-lima/>

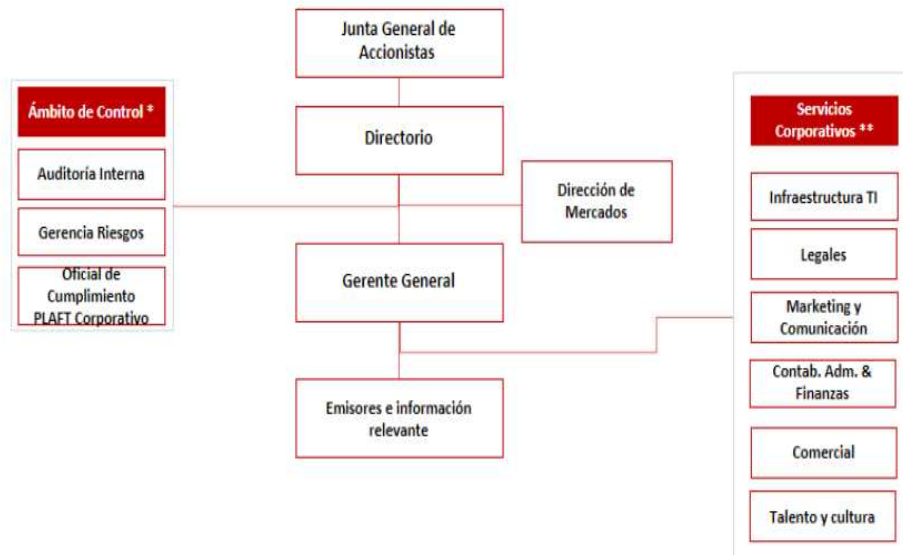


Image. 2.2 BVL Organizational Chart, (source: Lima Stock Exchange <https://www.bvl.com.pe/quienes-somos/bolsadevaloresdelima/organigrama-bvl>)

2.3 The structure of the Peruvian stock market

In the Lima Stock Market, managed by the Lima Stock Exchange (BVL), there are several official markets where different types of financial instruments are traded. These markets are structured to facilitate the trading of a wide range of securities and financial products.³²

2.3.1 The official markets

These official markets of the Lima Stock Exchange are regulated and supervised to ensure transparency, efficiency and investor protection. In addition, the BVL offers electronic platforms and custody and settlement services to facilitate transactions in these markets.

³² Delgado Luis-Humala Alberto, *The Peruvian stock market and the efficient market hypothesis*, 1997, pag 1-20.

1. Stock Market

This market is where the shares of companies listed on the BVL are traded. It is divided into several segments according to the liquidity and size of the companies. There is the primary market, where companies issue new shares to raise capital, and the secondary market, where shares that have already been issued are traded and exchanged between investors.³³

2. Bond Market

In this market, debt instruments issued by companies, governments, and other entities are traded. The types of bonds can be corporate bonds if they are issued by private companies, sovereign bonds that would be issued by the Peruvian government, municipal bonds issued by local governments, among others.

3. Commercial Paper Market

This market is intended for the trading of short-term debt instruments issued by companies to finance their liquidity needs.

4. Repurchase Market

This market is used to carry out repurchase transactions, where one of the parties sells securities with the commitment to repurchase them at a future date at an agreed price. This market provides short-term liquidity to financial institutions and investors.

5. Mutual Funds and Investment Funds Market

This market facilitates the trading of shares in mutual funds and investment funds, allowing investors to diversify their portfolios.

6. Structured Securities Market

This includes the trading of structured financial products, such as certificates and structured notes, which combine different types of financial instruments to offer specific risk and return profiles.

7. Derivatives Market

Under development, this market will allow the trading of financial derivative contracts such as futures, options and swaps, which are used for risk management and speculation.

³³ Chavez Diego-Chicana Diego-Cuba Walter, *Diagnosis and proposals to develop the Peruvian capital market*, 2020, pag 2-7.

8. Institutional Investors Market

This market is designed for large institutional investors, such as pension funds, insurance companies and mutual funds, which trade large volumes of securities.

9. Negotiable Invoice Market

This is a market where commercial invoices issued by companies are negotiated, allowing companies to obtain short-term financing by selling their accounts receivable.

2.3.2 Market surveillance

The Superintendency of the Securities Market (SMV)³⁴ is the entity in charge of monitoring and regulating the Peruvian stock market. Its mission is to supervise and regulate the activities of stock market participants to ensure market transparency, efficiency and fairness, thereby protecting investors.

The SMV operates under the legal framework established by the Securities Market Law (Law No. 30050) and the Law of the Superintendency of the Securities Market (Law No. 29782). In addition, it issues regulations and complementary rules to develop and detail the legal provisions, ensuring the correct execution of transactions and the protection of investors' rights.

2.4 Financial instruments traded on the BVL

Currently, a wide variety of investment products can be found on the stock exchange, issued by both private companies and by the state, public bodies, etc. The products and services offered by Bolsa de Valores de Lima S.A. are:³⁵ (i) trading of shares and securities representing shares; (ii) trading of foreign securities; (iii) trading of public and corporate debt instruments; (iv) repurchase transactions; (v) stock lending of securities; (vi) venture capital segment for junior mining companies. In addition to the regular market, Bolsa de Valores de Lima S.A. offers the Alternative Securities Market, a segment for medium-sized companies with a turnover of up to 350 million soles, with fewer requirements and obligations. It also allows trading through the entry of orders via algorithms and facilitates market making.

³⁴ SMV, <https://www.gob.pe/institucion/smv/organizacion>.

³⁵ BVL, <https://www.bvl.com.pe/quienes-somos/quienes-somos-bvl/bolsadevaloresdelima>

2.4.1 Variable Income

Shares are the variable income product par excellence and perhaps the most popularly known by investors in the stock market. The variable income segment of the Lima Stock Exchange mainly trades shares and other financial instruments related to the ownership and capital of companies. These instruments allow investors to participate in the growth of companies, benefit from dividends and potentially obtain capital gains by buying and selling these securities on the market. Among the main items traded are preferred shares, common shares, participation certificates, investment fund shares, American depositary receipts (ADRs), exchange traded funds (ETFs), warrants and subscription rights.³⁶

2.4.2 Fixed Income

These instruments involve the creation of a security, typically a bond or commercial paper, which represents a company's commitment to repay the capital it borrows plus a specific return, within a given period. These obligations are called fixed-income, whether long- or short-term, because they establish, from the beginning of the issue, the rate of return that they will pay from the beginning of the issue. In the fixed-income segment of the Lima Stock Exchange, debt instruments are mainly traded, which represent loans from investors to issuing entities such as governments, corporations and other institutions. Among the main items traded are sovereign, corporate, subordinated, municipal bonds, commercial papers, certificates of deposit, Treasury bills, securitization instruments, convertible bonds and international bonds.³⁷

2.5 Participants in the Peruvian stock market

In addition to issuers and investors, there are various institutions in the stock market that play a specific role in the securities trading circuit. The main players

³⁶ Lazo Velapatiño, D., *Performance Analysis of variable income mutual funds in Peru*, 2018.

³⁷ Cabanillas Sara-Pereyra Guillermo-Alva Flor-Castillo Ericson, *Economic activity and capital markets in Peru*, 2023, pag 1037-1051.

are the stockbroking companies, the stock exchange, CAVALI, the risk rating companies and CONASEV.³⁸

Also, within the principle of multiple banking, banking entities can carry out various operations in the securities market, including structured financing operations, participate in securitization processes, and temporarily subscribe to first issues of securities with full or partial guarantee of their placement. To do so, banks must establish specialized subsidiaries such as Stockbroking Companies, Mutual Fund and Investment Fund Management Companies, and Securitization Companies.



Image. 2.3 Imagine of participants in the stock market SAB, CONASEV &CAVALI, (source: Peruvian State Platform <https://www.gob.pe/smv>)

2.5.1 The Bank's intermediaries

Banks play a crucial role in the Peruvian stock market. Above all, they emphasize stock brokerage where, through their subsidiaries of stock brokerage companies (SAB)³⁹ or directly, banks act as intermediaries in the purchase and

³⁸ MEF, *Ministry of economy and finance of Peru* https://www.mef.gob.pe/es/?option=com_content&language=es-ES&Itemid=100143&view=article&catid=297&id=2189&lang=es-ES

³⁹ Lopez Rafael-Souza Lorenzo, *Financial Intermediation and Investment Banking in Peru*, 1997, pag 1-10.

sale of securities on the Lima Stock Exchange. They facilitate the execution of purchase and sale orders of their clients, providing access to capital markets. They also promote financial intermediation, investment, issuance and placement of securities, risk management, and provide custody and advisory services, among others. Their participation is essential for the robust and dynamic operation of the stock market in Peru.

2.5.1 Investors

In the Peruvian stock market, investors⁴⁰ can be classified into several categories, each with different characteristics and investment objectives. They provide liquidity, helping price formation and contributing to the growth and stability of the financial market.

1. Institutional Investors: These are entities that manage large amounts of capital and participate significantly in the stock market. Examples: Pension Funds, mutual funds, insurance companies and investment funds.
2. Retail Investors: These are individuals who invest their personal savings in the stock market. These investors can be: small savers or independent professionals.
3. Foreign Investors: These are entities or individuals not resident in Peru who invest in the Peruvian stock market. They include: International investment funds and foreign individual investors.
4. Corporate Investors: Companies that invest in other businesses or in financial instruments as part of their treasury management or diversification strategy. They include: Multinational and local companies.
5. Qualified Investors: Individuals or entities that meet certain financial criteria established by regulators and that have access to more sophisticated and less regulated investments. These include: high net worth investors and financial institutions
6. Fund Managers: Professionals who manage investment funds, mutual funds, and other collective investment vehicles. Their goal is to maximize returns for their clients by selecting and managing financial assets.

⁴⁰ BVL, <https://www.bvl.com.pe/productos/inversionistas>

2.5.2 Companies

Companies play a crucial role in the Peruvian stock market by issuing securities, contributing to liquidity, fostering transparency and attracting investment. Their impact on the Lima Stock Exchange is significant, affecting trading volume, market sentiment and overall economic dynamics.⁴¹

Companies listed on the BVL are part of stock market indices, such as the General Index of the Lima Stock Exchange (IGBVL) and the Selective Index. These indices reflect the health and performance of the Peruvian stock market and are closely followed by investors.

Large companies with high market capitalization, such as those in the mining, financial and consumer sectors, tend to have a higher trading volume. This affects overall market liquidity and the ability of investors to transact.

Well-known and financially sound companies attract new investors to the market. This includes both institutional and retail investors, broadening the participant base and contributing to a more vibrant market.



Image.2.4 Imagine of the most powerful peruvian companies listed on the Lima Stock Exchange, (source: <https://www.bvl.com.pe/bvlupdate/bvl-top-20-empresas-por-capitalizacion-de-mercado-170124>)

⁴¹ BVL, <https://www.bvl.com.pe/emisores/listado-emisores>.

2.6 Securities Trading Process at the BVL

The securities trading process at the BVL is designed to be transparent, efficient and secure, involving several stages from pre-trading to post-trading. Each participant, from issuers to investors and intermediaries, plays a crucial role in ensuring the smooth functioning of the market, with the supervision of regulatory entities such as the SMV to maintain integrity and confidence in the Peruvian securities market.⁴²

The trading process at the Lima Stock Exchange (BVL) begins when investors decide to buy or sell securities, such as stocks or bonds. To execute these transactions, investors must channel their orders through a Stock Brokerage Firm (SAB), which acts as an authorized intermediary. SABs enter the orders into the BVL's electronic trading system, where the purchase and sale orders are automatically matched according to the specified prices and quantities. This system ensures that transactions are carried out in an efficient and transparent manner, guaranteeing that prices reflect market supply and demand.

Once the orders are matched, the transactions are settled and cleared through CAVALI S.A. ICLV (Instituto de Compensación y Liquidación de Valores)⁴³. This process involves the exchange of securities and the corresponding money between the parties involved, ensuring that both sides comply with their obligations. Settlement typically occurs within two business days of the transaction (T+2). This complete cycle, from order placement to settlement, ensures the security and integrity of the stock market, allowing investors to transact in a trustworthy manner.

⁴² Egüés Juan, *BVL Securities stock loan*, 2000, pag 1-6.

⁴³ CAVALI, <https://www.cavali.com.pe/about-cavali/the-company/about-cavali.html> .

V. Chapter 3 ANALYSIS OF THE BVL PERFORMANCE

3.1 National Stock Market

The Peruvian stock market, although one of the smallest in the world, is also characterized by its speculative behavior and high sensitivity. Local and global economic agents interact with operations of this type, carrying out financial transactions with variable income documents (shares) and fixed income (bonds).⁴⁴ The price of these assets will depend on the amount of supply and demand in a period of time.

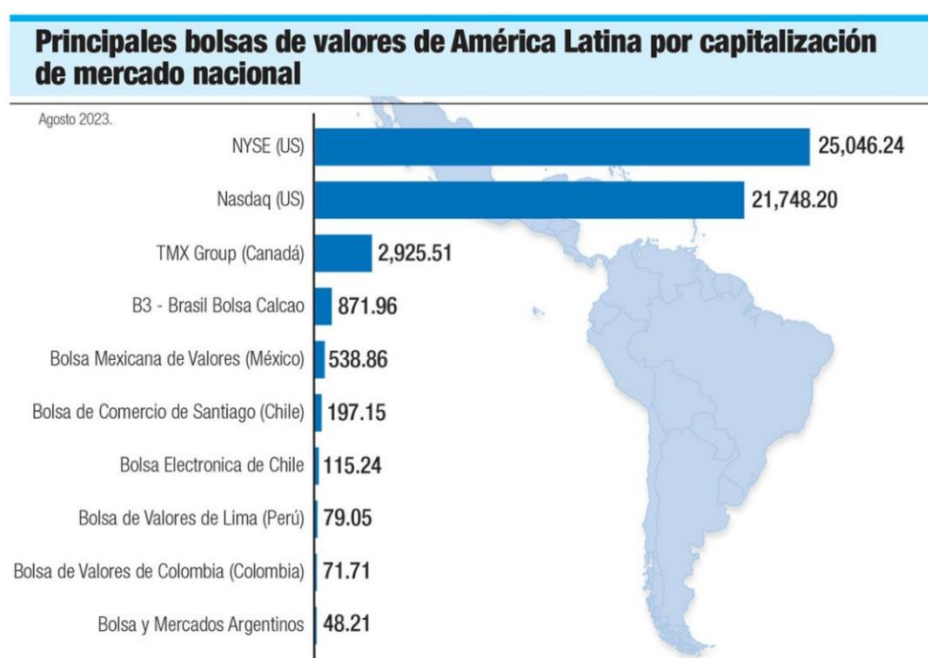


Image. 3.1 Imagine of the main Latin America stock exchanges by national capitalization, (*source: bloomberglinea.com*).

The Stock Market is the best example of a free market, but with a highly speculative nature. This concept fits the definition that the BVL tries out: “A

⁴⁴ MEF, https://www.mef.gob.pe/es/?option=com_content&language=es-ES&Itemid=100143&view=article&catid=297&id=2189&lang=es-ES .

company can be financed through the issue and placement of different types of securities.⁴⁵ The most common securities are shares and bonds. When a company decides to obtain resources through an issue and placement of securities, it must first know the obligations it would incur when listing on the stock market, among which the timely delivery of relevant information according to Peruvian regulations, regulated by SMV, stands out.” The performance of the national stock market in the last decade has been influenced by various economic, political and global factors.

3.2 Main Peruvian stock market indices

The Lima Stock Exchange offers users different instruments or investment securities. Indices are indicators that measure the price performance of financial assets listed on the market. We can imagine an index as a basket of stocks that provides a broad sample of an industry, sector or national economy. There are different indices and indicators that measure the performance of the BVL; the most important of these is the Peru General Index (SPBLPGPT), and we have others such as the Selective Index, the National Capitalization Index and other indicators, such as the amount traded or the total number of operations carried out.⁴⁶

3.2.1 S&P/BVL Peru General Index

The S&P/BVL Peru General Index has been designed to be the broad and international benchmark for the Peruvian market, reflecting the average trend of the main stocks listed on the Lima Stock Exchange.

It is a capitalization-weighted index adjusted by free-float (minimum of S/ 33 million), which includes additional liquidity and trading frequency requirements for its constituents. Since the S&P/BVL alliance, the index portfolio has been composed of no less than 29 and no more than 41 stocks. In addition, this index includes stocks from each of the 5 sectors of the S&P/BVL index family, with mining and financial sectors standing out as those with the highest weighting.⁴⁷

⁴⁵ Delgado Luis-Humala Alberto, *The Peruvian stock market and the efficient market hypothesis*, 1997, pag 1-20.

⁴⁶ Vacas Yovana-Lizarraga Luis-Miranda Giancarlo-Rossi Paolo-Maco Carlos, *Stock Market Indices*, 2012, pag 1-38.

⁴⁷ BVL, <https://www.bvl.com.pe/mercado/indices/indice-spbvl-peru-general>.

The Lima Stock Exchange highlighted that the S&P/BVL Peru General Index has had an annualized return of 12.7% in soles over the last 20 years, “surpassing other investment products available in Peru and at the sector level. Since its launch in 2015, the entire S&P BVL sector index family has shown a positive return.” Likewise, the mining sector registered the highest annualized return of 16.5%, followed by the electricity sector with 12%

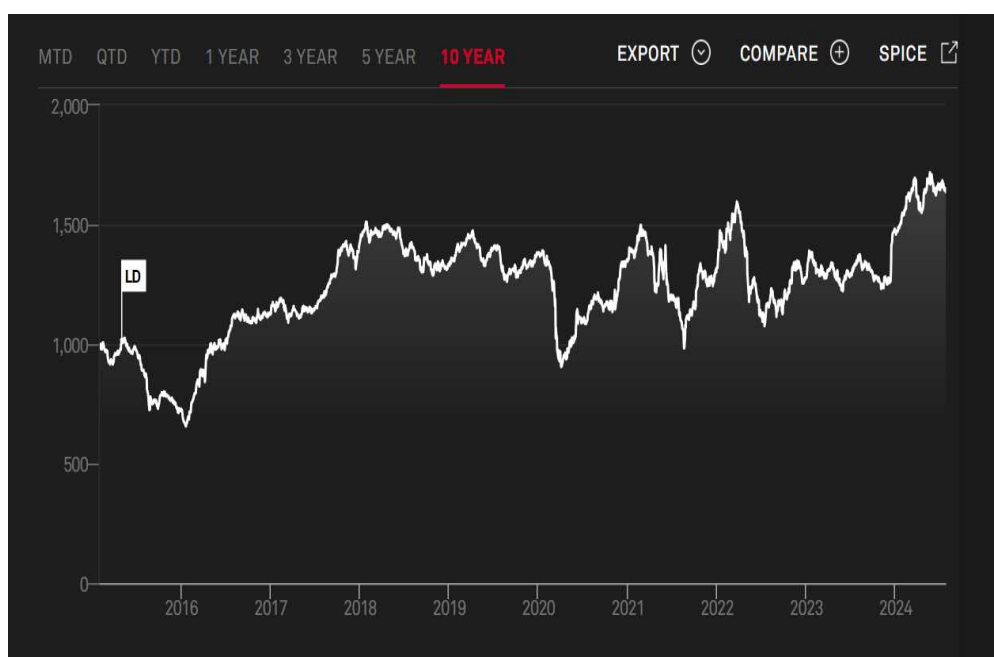


Image. 3.2 10 Years performance image of the S&P/BVL Peru General Index, (source: S&P Global <https://www.spglobal.com/spdji/en/indices/equity/sp-bvl-peru-general-index/#overview>).

3.2.2 S&P/BVL Select Index

The S&P/BVL Peru Select index is considered the indicator that best represents the BVL. This index only groups the most important securities in the market that have a high level of trading and company size. It is an index weighted by free-float-adjusted capitalization. And for inclusion in it, relatively high levels of

liquidity are required. The daily traded amount is S/ 250,000 and adjusted capitalization is S/ 200 million.⁴⁸

Among the securities that have made up its portfolio, which does not exceed 20, are companies from the mining, financial and basic consumption sectors. It also includes the public services and industrial sectors.

That is why in the selection process no sector can represent more than 40% in the index, and the weighting of no individual stock can exceed 13%.

The BVL publishes the S&P/BVL Perú Select total return index on a daily basis, which includes the reinvestment of distributed profits.

This index measures the performance of the most liquid and important stocks that are listed on the BVL.



Image. 3.3 10 Years performance image of the S&P/BVL Select Index, (source: <https://www.spglobal.com/spdji/en/indices/equity/sp-bvl-peru-select-index/#overview>).

⁴⁸ Jimenes Castillo Cesar, Impact of profits on stock prices:S&P/BVL Peru Select Index of the Lima Stock Exchange 2013-2017,2018, pag 1-40.

3.2.3 S&P/BVL Lima 25 Index

This index is developed in conjunction with Standard & Poor's (S&P). It includes the largest and most liquid stocks in the Peruvian market and is frequently used by investors as a benchmark for the Peruvian stock market.⁴⁹

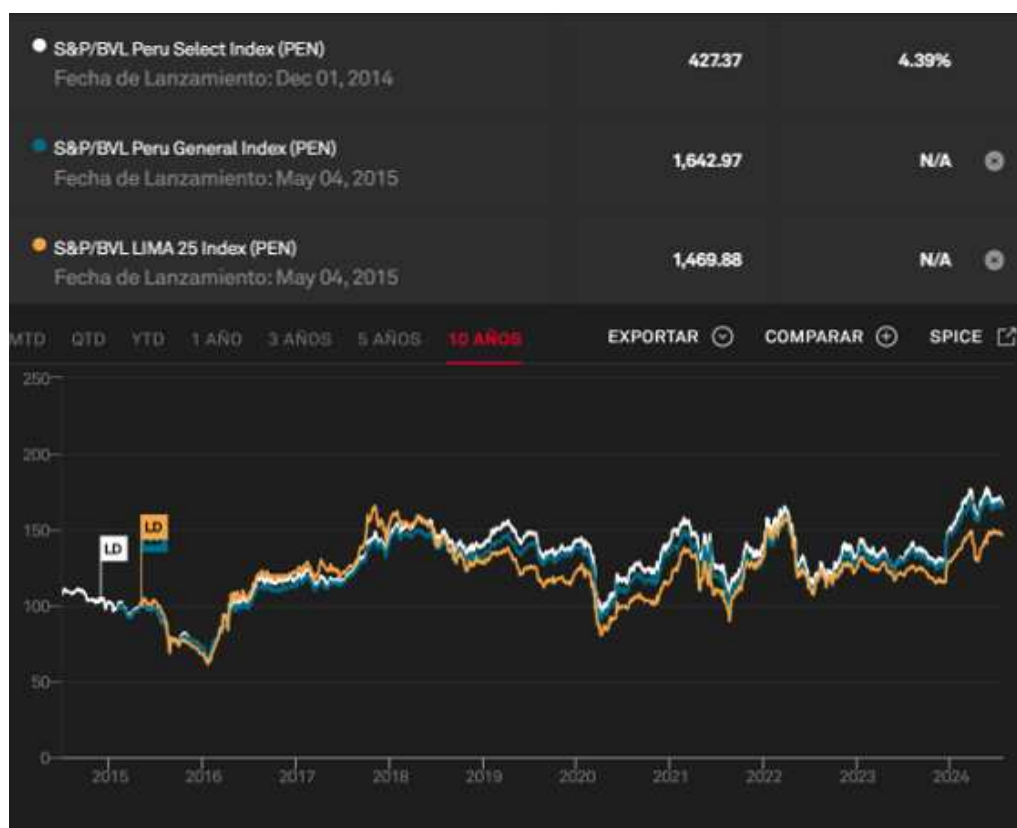


Image. 3.4 Image of the combined performance of the three most important Peruvian indices for 10 years, (source: <https://www.spglobal.com/en>).

3.3 Other Peruvian international indices

This index groups together companies that stand out for their good corporate governance practices. It was created to promote transparency and good practices in companies listed on the BVL.

⁴⁹ BVL, <https://www.bvl.com.pe/mercado/indices/indice-spbvl-lima-25>.

3.3.1 MSCI PERU

The MSCI Peru is a stock market index calculated by the North American company MSCI. In it we find all the Peruvian companies that are part of the global index of emerging countries MSCI Emerging Markets.

However, there is something very important to keep in mind. Because the number of shares within the MSCI Peru depends on how many companies manage to meet the eligibility criteria to enter the MSCI Emerging Markets, that number can sometimes be very low.⁵⁰

For example, at the end of 2021, we only have 3 companies within the MSCI Peru. So it is a highly concentrated index. This situation will be reversed the day that the capitalization of Peruvian companies increases enough so that the country's representation in the world stock market becomes more significant.

3.3.2 FTSE PERU

A stock market index calculated by the British company FTSE Russell. With a very similar composition to the MSCI Peru, the FTSE Peru has the Peruvian companies that can be found in the world stock market index FTSE All World Index.

And, as we have just mentioned in the previous point, due to the low relative capitalization of Peruvian stocks within the world market, the FTSE Peru is also a highly concentrated index, in which we find a very small number of companies.⁵¹

3.4 Incidence of sectors on the Lima Stock Exchange

Shares from various sectors are listed on the Lima Stock Exchange. However, it is worth mentioning that mining stocks predominate and characterize the Peruvian stock exchange. The following sectors stand out among them:⁵²

⁵⁰ MSCI, <https://www.msci.com/documents/10199/bccb3-2914-4184-98df-51dd9c0d497b> .

⁵¹ INVESTING.COM, <https://it.investing.com/indices/ftse-peru> .

⁵² Ruidias Frank, *Analysis of the return of the sectoral indices of the Lima Stock Exchange under a concept divergent from systematic risk*, 2014.

- Agricultural Sector;
- Banks and Financial Sector;
- Miscellaneous Sector;
- Industrial Sector;
- Mining Sector;
- Services Sector;

The following subsectors can also be found:

- Food and Beverage Subsector;
- Electricity Subsector;
- Non-Metallic Mining Subsector;
- Telecommunications Subsector;
- Junior Mining Subsector;

In 2024, the acquisition of bitcoin and other cryptocurrencies is permitted.

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
Consumer 69.0%	Electric 17.9%	Financials 29.4%	Electric -14.7%	Construction 67.9%	Mining 43.1%	Financials 12.2%	Electric 63.9%	Mining 28.0%	Construction 35.5%	Electric 41.4%	Electric 41.1%
Electric 41.7%	Construction 13.8%	Electric 26.3%	Consumer -16.9%	Peru Select 64.0%	Consumer 32.4%	Consumer 11.5%	Consumer 13.4%	Peru Select 3.8%	Industrials 35.4%	Consumer 7.5%	Mining 0.8%
Financials 32.4%	Industrials 9.2%	Mining 4.6%	Mining -17.9%	Industrials 58.4%	Financials 31.0%	Peru Select -0.4%	Mining 6.9%	Consumer -4.5%	Mining 5.6%	Financials 5.41%	Consumer -0.3%
Construction 28.3%	Consumer 5.6%	Peru Select -0.3%	Financials -26.9%	Financials 57.7%	Peru Select 26.6%	Industrials -3.8%	Peru Select 3.7%	Electric -5.7%	Consumer 5.4%	Peru Select -1.3%	Financials -0.6%
Industrials 26.9%	Financials -0.4%	Consumer -11.9%	Peru Select -27.3%	Mining 52.0%	Industrials 6.7%	Electric -4.5%	Financials -1.7%	Construction -7.7%	Peru Select 2.2%	Mining -4.4%	Peru Select -3.9%
Peru Select 13.4%	Peru Select -26.2%	Construction -27.8%	Industrials -41.1%	Consumer 29.8%	Construction -10.3%	Construction -7.3%	Industrials -6.9%	Industrials -9.7%	Electric -10.7%	Industrials -5.1%	Industrials -7.0%
Mining 1.2%	Mining -40.6%	Industrials -29.8%	Construction -48.0%	Electric 21.3%	Electric -13.9%	Mining -19.9%	Construction -7.8%	Financials -12.3%	Financials -12.4%	Construction -14.61%	Construction -10.3%

Table. 3.1 Annual impact of sectoral indices on the Lima stock Exchange from 2012 to 2023, (source: <https://www.bvl.com.pe/bvlupdate/la-importancia-de-la-diversificacion-desempeno-historico-indices-sectoriales-spbvl>).

In 2024, the sectors that have shown the greatest performance on the Lima Stock Exchange (BVL) include:

1. Energy: This sector has been significantly boosted by companies such as Enel Distribución Perú SAA, which has registered an increase of 134.14% so far this year.

2. Mining: Companies such as Cía de Minas Buenaventura SAA have had a remarkable performance with an increase of 76.23%. Another important player is Southern Copper Corp, which has seen a growth of 34.81% in the year. These sectors stand out due to factors specific to the Peruvian market and global conditions affecting the demand for energy and minerals. Mining, in particular, remains a key pillar of the Peruvian economy, benefiting from metal prices and infrastructure investment.

The Lima Stock Exchange (BVL) closed 2023 with a positive performance, driven by the rebound of some sectors, especially in the last quarter of the year. At the sector index level, there were advances in the Mining (+25.53%), Financial (+18.37%), Consumption (+5.34%), Public Services (+4.39%) and Industrial (+3.77%) indices.⁵³

CAPITALIZACION BURSATIL						
Millones de Dólares	2018	2019	2020	2021	2022	2023
Acciones de Capital	137,409.12	155,479.89	160,640.66	143,214.75	138,873.63	174,432.38
A.F.P.	183.84	186.62	171.04	116.63	121.87	57.52
Bancos y Financieras	34,886.60	38,536.95	31,023.75	22,585.05	22,492.42	22,597.60
Industriales	11,165.80	12,493.19	10,394.11	8,483.24	4,453.10	4,664.07
Mineras	45,680.19	55,093.61	75,121.80	77,674.45	75,041.68	101,367.76
Seguros	2,528.06	2,635.82	2,514.12	2,583.32	3,547.12	3,735.55
Agrario	483.57	388.56	429.11	544.56	724.00	822.40
Servicios Públicos	6,425.31	10,199.42	8,530.81	5,392.09	6,325.57	8,904.94
Diversas	36,055.75	35,945.72	32,455.92	25,835.41	26,167.87	32,282.54
Acciones de Inversión	4,964.60	6,530.73	4,899.62	5,275.51	2,824.49	3,294.44
Industriales	4,056.23	5,433.65	3,663.78	3,377.63	901.76	851.12
Mineras	849.32	1,051.00	1,189.33	1,858.29	1,878.75	2,403.98
Diversas	59.05	46.08	46.51	39.59	43.98	39.34
CAPITALIZACION TOTAL BVL	142,373.73	162,010.62	165,540.28	148,490.26	141,698.12	177,726.82
% 10 valores con > capitalización	70.50%	70.55%	72.83%	73.32%	75.61%	77.99%

Table. 3.4 Market Capitalization of the various sectoral indices on the Lima Stock Exchange from 2018 to 2023, (source: BVL, <https://s3.us-east-1.amazonaws.com/site.documents.cdn.prod.bvl.com.pe/Triptico2023.pdf>).

⁵³ BVL, *Mining and electricity stocks boots profitability of the Lima Stock Exchange*, <https://www.bvl.com.pe/noticias-bvl/acciones-mineras-y-electricas-impulsan-rentabilidad-de-la-bvll>.

3.5 Capitalization and stock market volume of the BVL

The Lima Stock Exchange (BVL) has a market capitalization⁵⁴ of approximately 90 billion dollars. Currently, more than 240 companies are listed on the BVL, covering various sectors such as finance, mining, industrial, consumer and public services.

This wide variety of companies reflects Peru's economic diversity and provides investors with multiple investment opportunities. The presence of large mining and financial companies, such as Compañía de Minas Buenaventura and Credicorp Limited, highlights the importance of these sectors in the country's economy and in the stock market itself.

In the last 20 years, the daily trading volume of the local stock market has gone from 4.9 million to 6.6 million dollars at the end of 2023 (+34.61%); however, it remains below the average of the last 5 years of 12.8 million dollars. The volume has been affected mainly by the absence of the flow of non-resident investors, who went from representing 40% to 10%, and AFPs, after the multiple withdrawals of funds, going from 18% of the total traded to 15%. Thus, resident institutions and natural persons are now behind the trading.⁵⁵

3.6 Business financing through the BVL

Obtaining financing through the Lima Stock Exchange not only provides access to significant capital but also improves the financial structure, visibility, and credibility of the company, which can facilitate its growth and expansion in the medium and long term.

The Lima Stock Exchange (BVL) has reflected a volatile trend in 2023. It should be noted that Enel Distribución Perú is the company that leads the performance in dollars with an advance of 130% (see graph). It is followed by Southern Copper (29%), Enel Distribución (21%), Credicorp (19%), Alicorp (18%), Minsur (16%), Ferreycorp (15%), IFS (8%), Cerro Verde (8%), Inretail (7%), Buenaventura (7%), Luz del Sur (6%) and C Pacasmayo (3%). On the other hand, those that have presented losses are Aenza (-42%), Nexa (-24%), Volcán (-19%), Aceros Arequipa (-8%) and Unacem (-1%).

⁵⁴ Ignacio Lopez, *Value of a company according, to the price of its share on the stock exchange*, 1997, pag 398.

⁵⁵ BCRP,

<https://estadisticas.bcrp.gob.pe/estadisticas/series/mensuales/resultados/PN01155MM/html> .

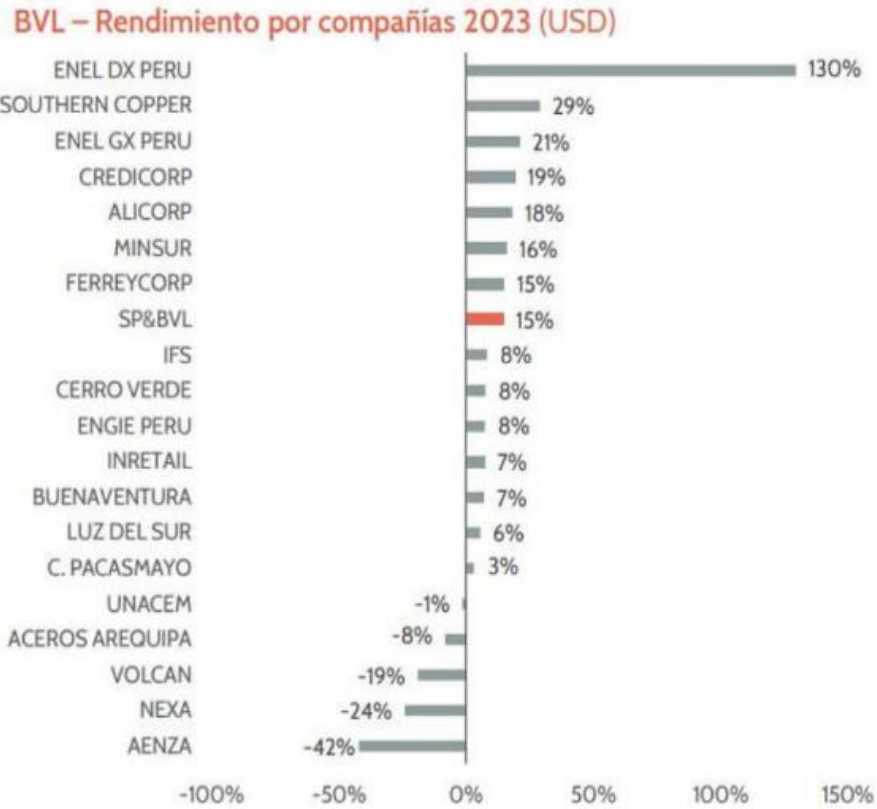


Table. 3.5 Performance on the Peruvian Companies in 2023 USD, (source: *La República*, <https://larepublica.pe/economia/2023/07/20/invertiras-en-la-bolsa-de-valores-de-lima-revisa-las-empresas-con-mayor-rendimiento-este-2023-248820>).

3.7 Profitability of the Lima Stock Exchange

Despite the fact that 2023 was a difficult year for the Peruvian economy, with social protests, inflation from international factors and climatic impacts, which translate into an expected adverse result of -0.5% in the country's PBI, according to the Central Reserve Bank (BCR) in its latest inflation report, the Lima Stock Exchange (BVL) obtained an interesting return for investors in the local capital market.⁵⁶

At the end of 2023, the local stock market reached a historical maximum of annual performance for the S&P/BVL Peru General (18.35%); S&P/BVL Peru Select (17.45%) and at the sector level in the mining sector with 45.4%, in soles. Likewise, the companies registered in the BVL also registered a record of market capitalization, closing 2023 with 657,589 million soles.

According to SAB stockbrokers, a large increase in investment by individuals in multinational companies such as Alicorp, BBVA, Cementeras Pacasmayo, Unacem, was observed, forming part of the capital.

Over periods of 5, 15 or 20 years, a positive return has been seen over time. It is stated that in the last 20 years the Lima Stock Exchange has had a profitability of 11% of positive and significantly high annualized return. We can conclude that the BVL is profitable in the medium and long term.

⁵⁶ Official Journal of the Bicentennial “El Peruano”, *Lima Stock Exchange opportunities for investors all sizes*, <https://www.elperuano.pe/noticia/234626-bolsa-de-valores-de-lima-oportunidades-para-inversionistas-de-todo-tamano#:~:text=Al%20cierre%20del%202023%2C%20la,con%2045.4%20%25%2C%20en%20soles> .

VI. Chapter 4 FOREIGN INVESTMENT AND INTERNATIONAL PARTICIPATION OF THE BVL

4.1 Integration of stock markets in Latin America

As a result of financial globalization, the degree of integration of financial markets around the world has increased significantly.

In recent decades, several Latin American countries have tried to integrate their stock exchanges in order to facilitate cross-border operations in a transparent, controlled and supervised manner, thus generating, through the stimulation of investment, a significant contribution of capital for the countries that participate in the integration. The integration of the stock exchanges aims to provide the following benefits:⁵⁷

1.- Greater synergy between the three markets, attracting a greater number of participants, increasing the offer of products and generating greater business opportunities.

2.- In principle, the securities and their issuers will continue to be listed in their jurisdiction of origin and will be traded in the single market through the recognition granted by the respective authorities.

3.- Possibility of securities and their issuers continuing to be listed in their jurisdiction of origin and negotiations in the single market are carried out via recognition granted by the respective authorities.

4.- Reductions in transactional costs, use of safer and more advanced technologies, implementation of more sophisticated markets and access to more investment and financing options.

The stock exchanges that make up the Latin American stock market sector are characterized by their low relevance at an international level due to their low level of development. They are markets with low capitalization, low liquidity, with low importance in the economy of their country and with a high level of market concentration.

⁵⁷ Duarte Duarte, Ramirez Leon, Sierra Suarez, *Evaluation of a company size effect in Latin American Stock Markets*, 2013, pag 5-28.

Their main markets correspond to two emerging economies such as Brazil and Chile, whose indicators are largely different from the characteristics described above. The low financial development of economically stronger countries such as Argentina or Mexico stands out, whose stock exchanges are surpassed in international relevance by markets in countries such as Peru and Chile, as demonstrated by the strong foreign presence of their exchanges.

4.2 Current stability in Latin America

The economic and social transformations in Latin America have been very broad and pervasive over the last three decades. After successive episodes of instability and even financial crisis, the countries of the region have achieved, in recent years, a better performance of macroeconomic indicators, such as the decline in inflation, exchange rate stability and fiscal balance. All of which has managed to spread an optimistic and hopeful position regarding the economic future. However, scarcity still prevails and success does not transcend all sectors and regions.⁵⁸

In 2023, the Peruvian economy faced multiple negative shocks that lasted longer than expected and had an impact on public finances. The weakening of the economy in the face of social conflict and the persistence of weather phenomena (cyclone Yaku and coastal FEN) were the main factors that affected the country's fiscal situation. Furthermore, the external context was also unfavorable for tax collection, reflecting lower exports and a significant drop in export prices, considering that historically high prices were recorded in 2022.

Despite the complex context, the country maintains a solid relative fiscal position, since Peru's fiscal deficit (2.8% of PBI) was one of the lowest among emerging economies (average: 5.4% of PBI) and Peru's public debt (2023: 32.9% of PBI) continues to be well below the average for emerging economies and Latin America (both around 70% of PBI).⁵⁹ Along these lines, various international agencies and credit rating agencies have highlighted that Peru maintains a solid fiscal position. It can be observed that the Latin American and Caribbean bloc as a whole would grow 1.8% in 2024, less than the previous year (2.3%), given a moderation of the economic activity of the largest countries in the region, a slow reduction in inflation and financing costs, the implementation

⁵⁸ Rey Maximiliano, *State capacity and state power in 21st Century Latin America*, 2014.

⁵⁹ Casilda Ramon, *Latin American Current situation (2019) and economic prospects*, 2019, pag 1-63.

of fiscal adjustments, negative lags generated by adverse weather factors, and high political uncertainty.



Image. 4.1 “Latin American: PBI by contribution of main countries”, (source: *Financial System Information Folder Graphics Superintendence of Banks, Insurance & AFP, Republic of Peru*).

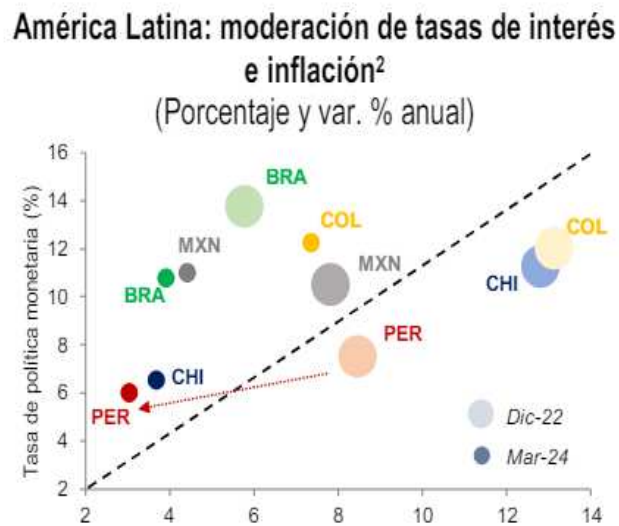


Image. 4.2 “Latin American: Moderation of interest rates and inflation”, (source: *Financial System Information Folder Graphics Superintendence of Banks, Insurance & AFP, Republic of Peru*).

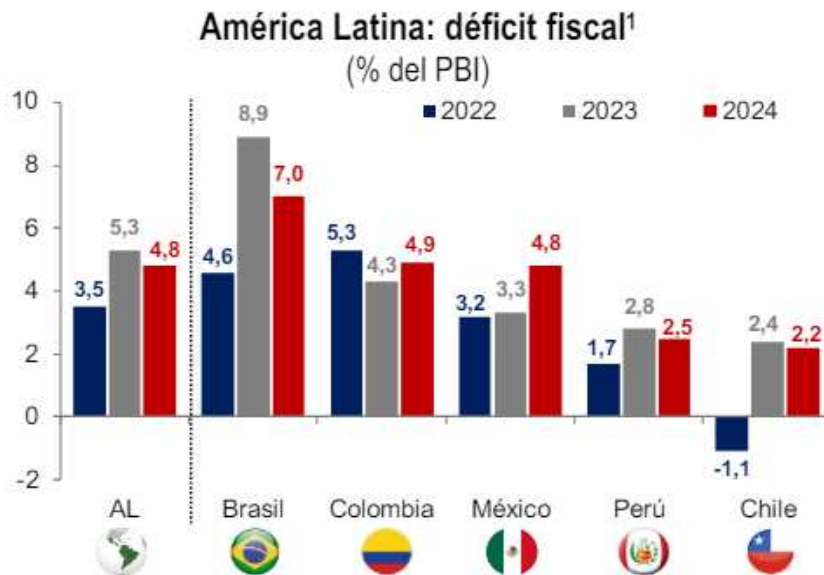


Image 4.3 “Latin American: Fiscal Deficit”, (source: *Financial System Information Folder Graphics Superintendence of Banks, Insurance & AFP ,Republic of Peru*).

4.3 Latin American International Market (MILA)

The Latin American Integrated Market (MILA) is the first process of integration of the equity securities trading systems of different countries in the Latin American region and is an example of how a cross-border private initiative that promotes the economic development of countries can be accompanied by the support of the respective governments and securities market regulators.⁶⁰

MILA began operations in May 2011 as a result of the agreement signed with the Santiago de Chile Stock Exchange, the Colombian Stock Exchange and the Lima Stock Exchange, which were responsible for promoting a process of

⁶⁰ Sandoval. E & Vazques. A & Sabat. R, *Integration of the stock of Chile, Colombia and Peru into the Latin American Integrated Market (MILA)*, 2015, pag 71-84.

creating a regional market for the trading of equity securities such as company shares.⁶¹

Mexico subsequently joined MILA, so that all members of the Pacific Alliance are part of this integrated market. The integration itself includes the link between the securities depository centers in order to effect the clearing and settlement of the operations carried out in said trading systems, as well as the registration and custody of the securities traded. Through MILA, investors can trade equity securities listed on the stock exchanges of the member countries on a single trading platform and use a local intermediary to execute purchase and sale operations of these securities. In addition, intermediaries from other countries are allowed to have direct access to the book of proposals under the responsibility of a local intermediary, a process known as intermediary routing. The most evident benefits of this integration are:⁶²

1.- Greater visibility at an international level for each country, positioning it as an investment destination and opening up the possibility of having new partners at a global level, which together leads to strengthening the integrated market.

2.- From the point of view of investors, there are more alternatives for financial instruments, expanding the possibilities for diversification and a better balance of risk and return.

3.- From the issuers' side, the possibility of accessing a broader market in their local market is generated, expanding their demand for financing through the increase in the number of investors in which they can generate interest with the consequent reduction in the cost of capital for companies.

4.- With regard to intermediaries, integration promotes more attractive and competitive stock exchanges, increasing the range of products to offer their clients and enabling the creation of new investment vehicles.

It is important to highlight that this joint work has not only allowed them to take advantage of the aforementioned benefits, but above all, it has made it possible for the formation of this market to have high standards of protection for investors and transparency of information and operations.

In this way, MILA has made possible the formation of the largest integrated market in Latin America by number of issuers.⁶³

⁶¹Rojas. J & Castro. F, *The Latin American Integrated market MILA*, 2016, pag 7-15.

⁶² Romero. Y & Ramirez. F & Guzman. D, *Latin American integrated Market (MILA) : correlation and diversification analysis of the stock portfolios of the three member countries in the period 2007-2012*, 2013, pag 53-74.

⁶³ BVL, <https://www.bvl.com.pe/mercado/mercado-integrado-latino-americano-mila> .

4.3.1 Participation of the BVL in MILA

Among the countries that make up MILA, according to information from the World Bank, Chile has the highest market capitalization of national companies, reaching 156% of its PBI in 2010. In that same year, Peru reached its record of 70% of PBI and Colombia 72% of its PBI. However, currently it is the Mexican Stock Exchange (BMV) that leads the first position with a market capitalization of 529,830.67 million dollars.⁶⁴

Although integration has brought numerous benefits, it has also presented challenges. Some of these include the harmonization of regulations and differences in market structures. The BVL has worked in collaboration with other member exchanges to overcome these obstacles and improve the functionality of MILA.⁶⁵

Over the years, the BVL has shown active participation in MILA, with an increasing number of transactions and an increase in the market capitalization of Peruvian companies. However, participation and specific impact may vary year to year due to global and regional economic factors, as well as the economic policies of member countries.

The COVID-19 pandemic had a significant impact on global stock markets, including MILA. The BVL experienced volatility in stock prices and changes in liquidity. However, the integration with MILA allowed for greater resilience by offering investors access to a broader market.

The BVL's participation in MILA remains a key opportunity for the growth and internationalization of the Peruvian stock market. With the post-pandemic economic recovery and continued improvements in market infrastructure, the BVL and MILA are expected to continue to evolve and offer substantial benefits to investors.⁶⁶

⁶⁴ BVL, <https://www.bvl.com.pe/mercado/mercado-integrado-latino-americano-mila/estadisticas-mila-mercado-peruano> .

⁶⁵ Sandoval. E & Soto. M, *Integrated Markets of Latin American: A Cointegration Analysis*, 2016, pag 1-17.

⁶⁶ Rivas. L & Dominguez. A & Dionicio. V & Romero. R, *Board influence on the performance of the Latin American Integrated Market*, 2021, pag 225-251.



Image. 4.4 “Stocks Markets in Latin America in 2023”, (source: *El economista* <https://www.eleconomista.com.mx/mercados/MILA-no-crecio-desde-su-creacion-en-el-2014-20230518-0097.html>).

4.4 LATIBEX

The common history of Spain and Latin America, with its continuous cultural, historical and economic ties, has received a significant boost in recent years, strengthening the presence of Spanish companies in the most important economic and financial sectors of these countries.⁶⁷

Latibex is the Latin American stock market, launched by the Spanish stock exchange, which allows European investors to trade shares of the main Latin American⁶⁸ companies from a single trading platform, and with the euro as the trading currency, which means the creation of a bridge for the rapprochement of the European and Latin American economies. Entry into this market only requires the application for incorporation to the governing council of the market, and it is not necessary, therefore, to present an admission project or to make a

⁶⁷ BME, <https://www.latibex.com/esp/>.

⁶⁸ With the only exception that, for operational reasons, the trading of some securities on Latibex requires grouping a certain number of shares into “trading units” of 1, 10, 20, 30, 50 or 600 shares.

public sale offer, and companies are not obliged to adapt to the Spanish accounting system.

Another equally interesting aspect is the wide time range in which one can invest in this market, since it covers the entire spectrum of European timetables. Trading on the Latibex takes place in three phases:⁶⁹

1.-This is the opening auction, which lasts from 8:30 to 11:30, where purchase orders can be entered, modified or cancelled, but none are executed.

2.-After a random 30-second close, the Open market begins, which lasts until 17:30, when trading is carried out in exactly the same way as the main contract.

3.-The session closes at 17:30, with the closing price being the midpoint of the best buying and selling positions, rounded up.

In a scenario like the current one, with the need to open up to new capital markets, Latibex offers Latin American companies an efficient and low-cost way of accessing sources of financing in Euros. The fact that Latibex uses a single currency, the euro, is a great advantage for intermediating companies from different countries with different currencies and in this way, the investor avoids the exchange risk as well as avoiding the different legal regimes of each nation, as well as their tax regulations.⁷⁰

This market also provides the transparency and security of an advanced market, since it uses the infrastructure of the Spanish stock exchange, one of the first in Europe. The trading, settlement and clearing systems are the same as those used for Spanish companies. In addition, this market is subject to the Spanish Securities Market Law, and regulated by the National Securities Market Commission (CNMV), the State body responsible for controlling and sanctioning bad stock market practices, to safeguard the interests of investors.

On the other hand, it allows the main companies in Latin America easy and efficient access to the European capital market. In short, it brings the European investor closer to one of the most attractive regions at the moment, resolving operational and legal difficulties and reducing risks. All this in an environment of high information transparency.⁷¹ As proof of the importance and progressive

⁶⁹ Jose Luis Miralles, *Stock Market Analysis*, Latin American Euro Stock Market (LATIBEX) pag 75.

⁷⁰ Almaraz Jimenez, *Latibex: The Latin Stock Market*, 2010.

⁷¹ Scantamburlo. L & Morales. A & Salmerón. D, *The emerging latibex market*, 2017.

consolidation of this market, it is worth highlighting the fact that at the end of 2010, 36 assets from 31 different companies from 6 Latin American countries were listed, as shown in the table.



Image. 4.5 Reference image to see the countries that belong to LATIBEX, (source: *FinancialRed* <https://financialred.com/infografia-todo-lo-que-necesitas-saber-sobre-el-latibex/>).

4.5 Ibero-American Federation of Stock Exchanges (FIAB)

The Ibero-American Federation of Stock Exchanges and Securities Markets was founded on September 27, 1973 in Rio de Janeiro, Brazil. Its objective was to facilitate the participation and channeling of popular savings to boost the productive processes of the public and private sectors, encourage the improvement of stock exchanges and securities markets for such purposes, as well as promote cooperation for economic and financial integration, and convergence towards unified standards, practices and customs. The Federation could act as a representative of its members before international organizations and national authorities, if required.⁷²

The BVL is a member of the FIAB; this membership facilitates participation, the exchange of information, best practices, joint projects and training, the promotion of financial integration in the region, international visibility and institutional strengthening.

4.6 International Cooperation Agreements

The Lima Stock Exchange has established cooperation agreements with several international exchanges and organizations, such as the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE) and others to foster collaboration, knowledge sharing, strengthen the position of the Lima Stock Exchange on the international stage, improve its technological infrastructure, and increase its attractiveness to international investors.

This type of collaboration is crucial for the growth and development of the stock market in Peru, and benefits both markets by fostering interconnection and the flow of capital between them.

The BVL also collaborates with international organizations such as the International Organization of Securities Commissions (IOSCO) and the World Federation of Exchanges (WFE). These agreements allow the BVL to align itself with the best practices and global standards in the regulation and supervision of financial markets.

⁷² FIAB, <https://www.fiabnet.org/>

VII. Chapter 5 CASE STUDY: UNACEM S.A

5.1 Qualitative analysis of the company

In this section we will focus on the qualitative analysis of the company Unacem, where we will try to understand why a business works, what its competitive advantages are and those characteristics that allow a company to stay above its competitors.

5.1.1 Description of the business activity

Unión Andina of Cements S.A.A. (“UNACEM”) is the largest cement producing company in Peru, with operations dating back to 1916 (which was founded on the basis of Peruvian company Cements Portland S.A.).

Its current corporate name arises from the clinker of Cements Lima S.A.A. and Cements Andino S.A. It is controlled by Inversions JRPR S.A., following the corporate reorganization process that took place in the group in January 2019.

The Company's main activity is the production and marketing, for local and export sales, of all types of cement and clinker. To this end, the Company has two plants located in the regions of Lima and Junín, key areas since they concentrate the population with the highest purchasing power in the country, with a total annual production capacity of 6.7 million tons of clinker and 8.3 million tons of cement.

With more than 100 years of experience, a high brand positioning and a varied portfolio of products tailored to the needs and budgets of its target audience, Unacem currently maintains a leadership position with a 47.8% market share, similar to the 47.9% of last year.⁷³

⁷³ https://grupounacem.com/wp-content/uploads/2024/05/V-ESP-GRUPO-UNACEM_2023-1.pdf

5.1.1.1 Mission

"We produce and market cement and concrete products, creating value for our customers, employees, shareholders, and the community, through operational excellence, innovation, and a firm commitment to sustainable development."

This mission reflects the company's focus on the production of essential construction materials, such as cement and concrete, while emphasizing the importance of sustainability, innovation, and value creation for all its stakeholders. UNACEM seeks not only to lead the construction market, but also to do so in a responsible and sustainable manner, contributing to economic and social development.

5.1.1.2 Vision

The vision of the Peruvian company UNACEM is to be a leader in the construction industry in Latin America, contributing significantly to the sustainable development and well-being of the communities where it operates.

UNACEM seeks to position itself as an innovative company, committed to sustainability and operational excellence, generating value for its clients, collaborators, shareholders, and society in general.

5.1.2 Products offered by Unacem

UNACEM, a leading company in the production of cement and clinker in Peru, offers a variety of essential products for the construction industry.

These products include:

- 1.- Sol Cement: One of UNACEM's most recognized products, widely used in large-scale constructions, as well as in infrastructure projects and residential buildings.
- 2.- Andino Cement: This is another type of cement produced by the company, suitable for high-strength and durable constructions.
3. -Apu Cement: This cement is known for its versatility, used in both small and large construction projects.
- 4.- Clinker: UNACEM also produces clinker, an essential material in the manufacture of cement, used both for the local market and for export.



Image 5.1 Unacem Products (Apu- Cemento Sol- Cemento Andino)
 Source: Unacem website.

The production and marketing of cement represents a very high percentage of UNACEM's income and operating results, often exceeding 70-80% of the group's consolidated income. This line of business is comprised of bagged cement of 42.5kg per bag (62.6%) and bulk cement in “big bag” format of 1.5 tons (28.6%).

The portfolio of bagged products that it markets is made up of: Cemento Andino, Cemento Sol, Cemento Andino IP, Cemento Andino IPM, Cemento Andino tipo V, Cemento Andino Ultra HS and Cemento Apu.

The production of bulk cement markets Portland cement of types I, IP, IPM, GU, V and HS. The sale of cement is intended for local consumption.

Regarding the export of 5-15% Clinker, it is noted that in this line of business, the raw material is marketed to its clients located in South America and Central America, the main countries being: Chile (50.3%), Guatemala (40.6%) and Argentina (9.0%).

Finally, in regard to the business unit for the sale of paving blocks and concrete pavement 4-10%, ready-mixed concrete is marketed, which is marketed through its subsidiaries (Unicon and Concremax).

5.1.3 Background and current situation of the company

UNACEM (Unión Andina de Cementos S.A.A.) has its origins in 1916, when Compañía Peruana de Cemento Portland S.A. was founded, one of the first cement companies in Peru. This company was the precursor of what would later become UNACEM. Over the decades, the company expanded its production capacity and modernized its plants, establishing itself as a pillar in the construction industry in Peru.

In 2012, Cementos Lima S.A. and Cemento Andino S.A. merged, giving rise to UNACEM S.A.A. This merger was strategic to consolidate operations and expand the company's reach, improving its competitiveness and efficiency in the market. After the merger, UNACEM positioned itself as the largest cement producer in the country, with a significantly increased production capacity and a wide distribution network.

Regional Expansion UNACEM has expanded its operations beyond Peru's borders, acquiring and developing plants in other countries in the region. The company has a presence in Ecuador and Chile, among others, which has allowed it to diversify its market and consolidate itself as a relevant player in the cement industry in Latin America.

Unacem has focused its efforts and commitment on sustainability and corporate social responsibility. The company has implemented various initiatives to reduce its carbon footprint and promote sustainable business practices, aligning itself with global sustainable development goals.

5.1.4 Operations Plants

In addition to having the largest and most modern cement production plant in Peru, it has four additional cement plants (Atocongo, Condorcocha, Pacasmayo and Riobamba), a terminal port, 54 fixed concrete plants, 18 mobile concrete plants, five industrialized concrete structures plants, five hydroelectric plants and two thermal plants. In 2023, the Tehachapi cement plant was acquired from the North American companies Martin Marietta Materials and Martin Marietta Pacific District Cement, owners of Martin Marietta Southern California Cement, located in California. The production capacity of this plant is 1 million short tons of cement and 940,000 short tons of clinker, which doubles our installed capacity

in the US, offering us a strategic opportunity to consolidate a unified platform for our operation in North America.



Image 5.2 Location of Unacem Plants (*Source: Unacem website*).

Therefore, for UNACEM, one of its logistical strengths is its backward vertical integration, which allows for the efficient production of its cement products, in addition to having a limestone deposit estimated for 70 more years of exploitation.

As a result of these efficiencies, cement production in 2023 was 5.4% higher than the previous year. Likewise, clinker production increased by 11.2% compared to 2022. These increases reflect an improvement in operational capacity and product demand.

In addition, UNACEM has expanded its international presence with operations in Ecuador, Chile, and the United States.

5.1.5 Strategic Analysis Tools

Next, we will use the most important strategic techniques to identify your position in the market and determine the challenges and opportunities you will face.

5.1.5.1 Porter's 5 Forces Analysis

According to the established analysis, we see that the rivalry between competitors is extremely high. Among our biggest competitors are Cementos Pacasmayo, Cementos Yura, etc.

Unacem maintains its leadership position but faces significant competition in price, quality and distribution. The bargaining power of suppliers is considered moderate. Unacem, being a large player, can negotiate favorable terms, but the dependence on key inputs can limit this capacity.

Likewise, the bargaining power of customers is moderate. Although Unacem has a strong brand and quality, customers have several options in the market, which gives them some bargaining power.

On the other hand, the threat of new entrants is really low since entry into the cement industry is difficult due to the high barriers to entry, such as the capital needed to build plants, environmental regulation and the need for an extensive distribution network.

The threat of substitute products is low, however, since cement is an essential material in construction and has no direct substitutes that are viable on a large scale.

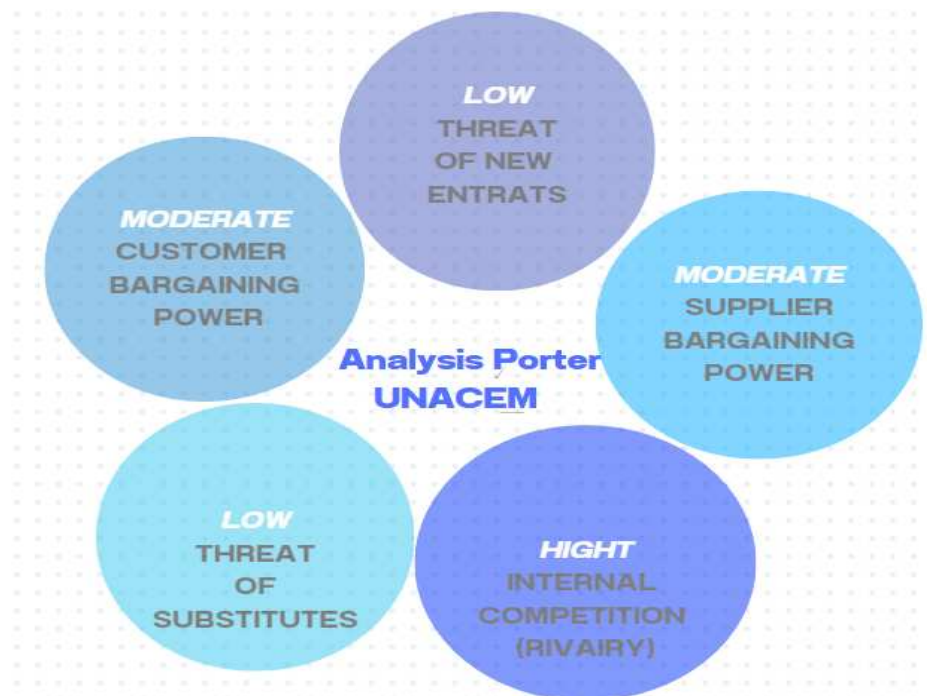


Image 5.3 Analysis PORTER of Unacem (*Our elaboration*).

5.1.5.2 SWOT Analysis

According to the research carried out and based on the risk assessment and financial information from UNACEM's annual reports for the last few years, different critical internal aspects (i.e., strengths and weaknesses) and external aspects (i.e., opportunities and threats) can be identified.

Strengths:

- 1.-Market leadership: UNACEM is the main cement producer in Peru, with a significant market share.
- 2.-Modern infrastructure: Production plants with advanced technology that guarantee efficiency and quality.
- 3.-Geographic diversification: Presence in several international markets such as Ecuador, Chile and the USA.

4.-Vertical integration: Control over the supply chain, from the extraction of raw materials to distribution.

Opportunities:

1.-Growth in construction: The expansion of infrastructure projects in Peru and other countries where it operates.

2.-Product innovation: Development of ecological products and sustainable solutions in construction.

3.-International expansion: Growth potential in new emerging markets.

4.-Strategic alliances: Possibilities for partnerships to increase production capacity or penetrate new markets.

Weaknesses:

1.-Dependence on the Peruvian market: Despite diversification, a large part of its revenue comes from Peru.

2.-High operating costs: Energy and transportation costs represent a significant portion of expenses.

3.-Exposure to market volatility: Cement demand can be affected by economic fluctuations.

4.-Environmental risk: Cement production has a high environmental impact, which may attract stricter regulations.

Threats:

1.-Intense competition: Rivalry with other cement companies both nationally and internationally.

2.-Environmental regulations: Stricter legislation that could increase operating costs.

3.-Economic volatility: Economic uncertainty in the markets where it operates could affect demand.

4.-Changes in construction trends: Increase in the use of alternative materials or new technologies that reduce the demand for traditional cement.

S.W.O.T ANALYSIS- UNACEM



Image 5.4 Analysis S.W.O.T of Unacem (*Our elaboration*).

5.1.5.3 PESTEL External Analysis

PESTEL analysis is a tool used to assess the external factors affecting a company, categorizing them into six key areas: Political, Economic, Social, Technology, Environment and Legal.

UNACEM is influenced by a wide range of external factors that can affect its operation and performance in the market. Political stability, economic growth and infrastructure policies are crucial to the demand for its products. In turn, the company must be attentive to the evolution of environmental and technological regulations, as well as social trends that may alter market preferences. Effectively managing these factors can help UNACEM maintain and strengthen its position in the market.

1. Political Factors

Political stability in Peru and countries where it operates: Political stability in Peru is crucial for UNACEM, given that government decisions can affect operations, regulations and fiscal policies.

Infrastructure and construction policies: Government plans in infrastructure and housing drive demand for cement. Public investment programs in roads, bridges and social housing are key.

International relations and trade agreements: Trade relations between Peru and other countries in the region, as well as free trade agreements, can facilitate or hinder the export and import of inputs and products.

2. Economic factors

Economic growth: GDP growth in Peru and in other markets where UNACEM has a presence (Ecuador, Chile) directly influences the demand for cement, especially in sectors such as construction.

Exchange rate and interest rates: Fluctuations in the exchange rate affect the costs of importing inputs and export revenues. Interest rates influence the cost of financing for expansion or modernization projects.

Inflation: Inflation can affect the operating costs of the company, including the price of raw materials and energy, as well as salaries.

3. Social Factors

Population growth and urbanization: The increase in population and urbanization in Peru and the region generates a greater demand for housing and infrastructure, boosting cement consumption.

Changes in consumer preferences: There is an increase in the demand for more sustainable and ecological constructions, which could influence the demand for cements with a lower environmental impact.

Corporate social responsibility (CSR): The public perception of the company regarding its social and environmental responsibility can affect its reputation and, therefore, its sales. It is important that UNACEM maintains high CSR standards to mitigate reputational risks.

4. Technological Factors

Innovation in production: The adoption of new technologies in cement production that reduce costs and emissions is crucial to maintain competitiveness.

Automation and digitalization: The use of automation in production and digitalization in operational management can improve efficiency and reduce errors, increasing productivity.

New Product Development: Research into new, more durable and sustainable types of cement can open up new markets and opportunities for UNACEM.

5. Environmental Factors

Environmental Regulations: Environmental regulations are becoming increasingly strict, and UNACEM must comply with them to avoid sanctions. This includes reducing CO2 emissions and waste management.

Climate Change: Climate change can affect the availability of natural resources such as water and create pressures to reduce the carbon footprint in cement production.

Sustainability and Natural Resources: Quarrying and the use of natural resources must be managed sustainably to ensure the continuity of production and avoid conflicts with communities and regulators.

6. Legal Factors

Industry Regulations: UNACEM must comply with a variety of industry regulations ranging from workplace safety standards to regulations specific to the construction sector.

Intellectual Property: The development of new technologies and products requires the protection of intellectual property to maintain competitive advantages.

Foreign trade regulations: Import and export laws and regulations in the countries where it operates may affect UNACEM's ability to operate efficiently in the international market.

Analysis P.E.S.T.E.L - UNACEM

P POLITICAL FACTORS	E ECONOMIC FACTORS	S SOCIAL FACTORS	T TECHNOLOGICAL FACTORS	E ENVIRONMENTAL FACTORS	L LEGAL FACTORS
POLITICAL STABILITY IN PERU AND COUNTRIES WHERE IT OPERATES	ECONOMY GROWTH	POPULATION GROWTH AND URBANIZATION	INNOVATION IN PRODUCTION	ENVIRONMENT REGULATIONS	INDUSTRY REGULATIONS
INFRASTRUCTURE AND CONSTRUCTION POLICIES	EXCHANGE RATE AND INTEREST RATES	CHANGES IN CONSUMER PREFERENCES	AUTOMATION AND DIGITALIZATION	CLIMATE CHANGE	INTELLECTUAL PROPERTY
INTERNATIONAL RELATIONS AND TRADE AGREEMENTS	INFLATION	CORPORATE SOCIAL RESPONSABILITY (CSR)	NEW PRODUCT DEVELOPMENT	SUSTAINABILITY AND NATURAL RESOURCES	FOREIGN TRADE REGULATIONS

Image 5.5 Analysis P.E.S.T.E.L of Unacem (*Our elaboration*).

5.2 Quantitative Analysis of the Company

In the following section we will delve into the quantitative analysis of the company Unacem, where we will analyze and interpret the quantitative data using numerical and statistical methods. This analysis attempts to identify data patterns, trends and links to support decisions and predictions.

5.2.1 Financial States

According to the latest balance sheet 2023 issued by the company Unacem, the following movements are verified:

Assets: UNACEM increased its assets thanks to acquisitions, especially in the US, which contributed to its expansion.

Liabilities: Liabilities grew due to investments and acquisitions, which suggests an increase in financial leverage.

Net worth: Although net profit fell by 22.1%, the company maintained a solid equity, supported by its international diversification and the efficient management of its operations.

CURRENT ASSET	CURRENT LIABILITIES
2.479.908	2.881.162
NON CURRENT ASSET	NON CURRENT LIABILITIES
11.215.746	4.903.627
	OWNERS EQUITY
	5.910.865
TOTAL CURRENT ASSET	TOTAL CURRENT LIABILITIES & EQUITY
13.695.654	13.695.654

Tab.5.1 Balance sheet 2023 of Unacem S.A. (source: Our elaboration on UNACEM website).

5.2.1.1 Asset Analysis

To begin with, we will analyze how the total assets of the UNACEM company are structured in the period 2017 – 2023.

Regarding Current Assets, it is observed:

That for the first years 2017-2019 UNACEM maintained a relatively stable management of its current assets, with a focus on maintaining sufficient liquidity for its daily operations. The main components were cash and cash equivalents, trade receivables and inventories (inventories of cement and other related products). In 2020 due to the COVID-19 pandemic, UNACEM experienced a temporary decrease in its current assets, particularly in accounts receivable, as many construction companies slowed down or stopped projects. However, the company increased its liquid assets as a precautionary measure to maintain financial stability. While in the last years 2021-2023 with the economic reactivation, current assets improved, with increases in accounts receivable and inventories, reflecting the recovery of demand in the construction sector. However, cash management remained prudent, given the context of inflationary costs.

From the perspective of non-current assets:

Investments in property, plant and equipment (PPE) have been the main component of non-current assets since it is consistent with its economic activity. During 2017-2019, UNACEM made significant investments to improve and expand its productive capacity, both in Peru and Ecuador. In particular, the Atocongo plant was modernized to increase production efficiency. Although in 2020 capital investments (Capex) slowed down during the pandemic, UNACEM maintained a significant level of non-current assets due to its fixed assets. Some investment projects in new equipment and expansions were postponed preserving capital. Finally, in 2021-2023, UNACEM resumed its investments in productive assets, which drove an increase in its property, plant and equipment, in addition to strengthening its investments in energy through its subsidiary Celepsa, as part of its sustainability strategy

<i>En miles de Soles</i>	2017	2018	2019	2020	2021	2022	2023
<i>Activos Corrientes</i>							
Efectivo y equivalentes al efectivo	157.002	111.410	124.337	561.120	399.755	334.845	401.275
Cuentas por cobrar comerciales y diversas	478.709	561.546	488.164	586.622	661.647	834.329	987.197
Inventario	698.627	752.069	772.357	576.052	664.328	851.645	1.036.574
Gastos contratados por anticipado	24.848	25.494	19.450	15.340	23.348	29.141	23.879
Inversiones Financieras	-	-	-	-	3.886	5.012	-
Activos disponibles para la venta	-	-	-	-	-	-	30.923
Otros activos no financieros	1.250	2.073	268	158	70	707	60
Total Activos Corrientes	1.360.436	1.452.592	1.404.576	1.739.292	1.753.034	2.055.679	2.479.908
<i>Activos No Corrientes</i>							
Cuentas por cobrar comerciales y diversas	63.396	42.619	46.596	55.924	89.260	83.245	141.441
Inversiones en asociadas	14.235	16.164	22.328	23.994	20.961	23.734	32.172
Inversiones financieras	-	-	-	21.708	-	-	4.198
Activo por derecho de uso	-	-	30.488	22.559	24.257	21.640	133.692
Concesiones mineras, propiedades, planta y equipo	7.185.922	7.250.243	7.249.314	7.260.394	7.502.857	7.473.383	8.468.208
Activo Diferido por desbroce	122.977	118.100	112.798	109.672	102.528	95.861	92.211
Activos Intangibles	1.349.819	1.382.223	1.377.024	1.391.698	1.404.893	1.405.794	2.111.711
Activo por Impuesto a la renta diferido	140.483	151.691	154.673	177.328	206.404	207.455	224.793
Otros Activos no financieros	7.839	8.994	14.057	14.318	19.104	22.281	7.320
Total Activos no Corrientes	8.884.671	8.970.034	9.007.278	9.077.595	9.370.264	9.333.393	11.215.746
TOTAL ACTIVOS	10.245.107	10.422.626	10.411.854	10.816.887	11.123.298	11.389.072	13.695.654

Tab.5.2 Asset Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

5.2.1.2 Liability and Net Worth Analysis

















From the perspective of Unacem's current liabilities, we verified that in the years 2017-2019 it was relatively stable, composed mainly of accounts payable to suppliers, short-term financial obligations, and other accounts payable related to daily operations. The company effectively managed its current liabilities with a healthy short-term payment ratio. In 2020 during the pandemic, UNACEM faced greater liquidity pressures, which led to an increase in current liabilities, mainly due to the refinancing of short-term debts and the need to extend payments to suppliers. Short-term financing was also used to ensure the continuity of operations in an uncertain environment.

While in 2021-2023 with the improvement of the economic environment, the company began to reduce part of its current liabilities, paying short-term debts and maintaining a more stable financing structure, thus achieving a more stable level of accounts payable and reflecting a healthier cash flow.

For non-current liabilities, Unacem has maintained a significant proportion of long-term debt, related to the expansion of its operations, such as investments in cement plants and energy. Between 2017 and 2019, non-current liabilities were high due to strategic investments in Peru and other markets. While in 2020 during the pandemic the company faced difficulties in generating revenue, long-term debt remained relatively stable. In some cases, UNACEM refinanced part of its debt to ensure better financial conditions and avoid liquidity problems.

Finally, in 2021-2023, as the economy recovered, the company began to reduce its level of indebtedness, especially in 2022 and 2023, although long-term debt remained a considerable part of its financial structure. This was crucial to continue financing its expansion projects and maintaining the modernization of its plants.

Net equity: In consideration of its benefits, UNACEM has maintained a solid equity, with a stable capital base and a prudent dividend policy. The company achieved a post-pandemic financial recovery, strengthening its capital position in 2022 and 2023.

<i>Pasivo Corriente</i>								
Otros pasivos financieros	710.879	461.218	671.177	1.110.123	700.255	1.106.529	1.686.759	
Cuentas por Pagar comerciales y diversas	607.714	724.922	681.143	648.872	857.568	975.032	1.019.946	
Ingresos diferidos	57.990	76.196	18.183	15.887	209	6.618	7.597	
Pasivos por Impuesto a la renta	71.752	34.417	52.059	16.435	1.007	182.893	72.948	
Provisiones	57.594	55.054	62.891	54.708	117.085	81.072	70.552	
Pasivo por arrendamiento	-	-	10.545	9.873	88.814	8.024	21.821	
Instrumentos financieros derivados	-	-	-	-	8.345	-	1.539	
Total Pasivos Corrientes	1.505.929	1.351.807	1.495.998	1.855.898	1.773.283	2.360.168	2.881.162	
<i>Pasivo No Corriente</i>								
Otros Pasivos financieros	3.748.761	3.919.904	3.470.826	3.345.632	3.227.779	2.629.349	3.811.917	
Cuentas por pagar comerciales y diversas	64.966	84.641	35.124	42.548	37.950	28.534	180.348	
Intrumentos financieros derivados	4.322	2.161	32.555	48.798	32.372	3.253	-	
Pasivo por impuesto a la renta diferido	12.585	24.565	652.442	595.086	594.623	585.180	670.441	
Provisiones	676.802	678.214	67.155	63.530	70.489	71.559	117.078	
Pasivo por arrendamiento	55.340	77.389	17.709	13.105	16.495	14.221	123.843	
Total pasivos no corrientes	4.562.776	4.786.874	4.275.811	4.108.699	3.979.708	3.332.096	4.903.627	
TOTAL PASIVOS	6.068.705	6.138.681	5.771.809	5.964.597	5.752.991	5.692.264	7.784.789	

Tab. 5.3 Liability Analysis of Unacem S.A. from 2017 to 2023 (source: *Our elaboration on UNACEM website*).

<i>Patrimonio</i>								
Capital Emitido	1.646.503	1.646.503	1.818.128	1.818.128	1.818.128	1.818.128	1.780.000	
Capital Adicional	-	-	-38.019	-38.019	-38.019	-38.019	-38.019	
Acciones propias en cartera	-	-	-	-	-11.610	-23.530	-22.948	
Reserva Legal	329.301	329.301	363.626	363.626	363.626	363.626	363.626	
Resultados no realizados	-3.780	-17.375	-29.215	-35.871	-23.660	-1.737	-1.629	
Resultados por traslacion	147.777	184.893	162.668	287.923	430.200	343.181	291.697	
Resultados acumulados	1.859.385	1.967.159	2.196.748	2.253.019	2.556.053	2.949.002	3.353.966	
Patrimonio atribuible a los propietarios de la controladora	3.979.186	4.110.481	4.473.936	4.648.806	5.094.718	5.410.651	5.726.693	
Participaciones no controladoras	184.031	173.464	166.109	203.484	275.589	286.157	184.172	
Total patrimonio neto	4.163.217	4.283.945	4.640.045	4.852.290	5.370.307	5.696.808	5.910.865	
TOTAL PASIVO Y PATRIMONIO NETO	10.231.922	10.422.626	10.411.854	10.816.887	11.123.298	11.389.072	13.695.654	

Tab. 5.4 Net worth Analysis of Unacem S.A. from 2017 to 2023 (*source: Our elaboration on UNACEM website*).

5.2.1.3 Income Statement Analysis

Inputs: UNACEM sees solid growth until 2019, following a significant fall in 2020 due to the pandemic. From 2021, the arrivals recovered thanks to the economic reactivity and greater concrete demand.

Costs: Throughout the period, costs increased due to the major costs of consumption and energy, especially after 2020. However, the company implemented measures to contain the impact of these increases.

Margins: Operating margins and EBITDA contracted in 2020, but recovered in later years, driven by better cost control and the increase in sales prices.

Net Utility: Considering the income in 2020, UNACEM will improve net utilization in 2021-2023, even with pressures resulting from inflation and the increase in financial costs.

This analysis shows how UNACEM successfully addressed the financial disasters of the pandemic and recorded a sustained recovery in recent years.

<i>En miles de Soles</i>	2017	2018	2019	2020	2021	2022	2023
Ingreso por ventas	3.412.440	3.902.004	4.099.983	3.575.309	5.066.169	5.978.843	6.376.274
Costo de Ventas	-2.365.095	-2.814.597	-2.974.951	-2.728.546	-3.559.005	-4.350.232	-4.793.883
Utilidad Bruta	1.047.345	1.087.407	1.125.032	846.763	1.507.164	1.628.611	1.582.391
Gastos de Administracion	-312.071	-296.378	-289.048	-249.448	-325.168	-401.622	-480.457
Gastos de Ventas	-78.059	-94.278	-111.884	-89.321	-110.701	-120.115	-115.198
Otros ingresos	44.177	53.831	63.602	29.282	69.650	64.488	79.525
Otros gastos	-70.378	-41.212	-39.644	-88.787	-70.397	-85.966	-72.957
Total gastos operativos, neto	-416.331	-378.037	-376.974	-398.274	-436.616	-543.215	-589.087
Utilidad Operativa (EBIT)	631.014	709.370	748.058	448.489	1.070.548	1.085.396	993.304
Participacion en la ganancia neta de asociada y negocio en conjunto	1983	1.930	1.893	1.562	6.524	3.861	12.112
Ingresos financieros	9.669	15.438	19.530	8.841	7.250	16.634	16.822
Costos financieros	-291.663	-321.279	-266.557	-230.362	-229.151	-192.621	-274.771
Diferencia de cambio, neta	102.206	-75.194	22.737	-61.118	-64.071	35.445	4.665
Total otros gastos, neto	-177.805	-379.105	-222.397	-281.077	-279.448	-136.681	-241.172
Utilidad antes de impuesto a las ganancias	453.209	330.265	525.661	167.412	791.100	948.715	752.132
Impuesto a las ganancias	-245.294	-147.069	-172.752	-51.466	-216.345	-289.120	-229.359
Utilidad Neta	207.915	183.196	352.909	115.946	574.755	659.595	522.773

Tab. 5.6 Income Statements Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

5.2.1.4 Financial Statement Analysis

Effective flows of operational activities:

In the period 2017-2019 UNACEM maintained solid operational effective flows in this period, driven by growth in sales and efficient management of costs. The effective flow generated by the operations was more than sufficient to cover their operational gases, including salaries, production costs, and payment to supervisors.

The effective entrances were supported by the solid demand for cement and related products in the construction sector, both in Peru and Ecuador. The company also showed an adequate capacity to cover the costs for commercial contracts, which fortold its liquidation. In 2020 during the pandemic, the operational flow decreased considerably. Health restrictions and the paralysis of construction projects negatively impacted income, which reduced actual income. In light of these disasters, UNACEM took measures to contain the operational gases, which helped to mitigate the fall in the operational flow.

However, the company tackled major costs related to the implementation of biosecurity protocols and physical gases, which affected the operational flow. A greater focus was also observed on the issues to address the slowdown in general economic activity. Between 2021-2023 it is verified that from 2021 onwards the operational flow will be recovered along with the economic reactivity. The improvement in the winds and the greater demand in the construction sector allowed UNACEM to generate positive and growing operational flows again. In 2022 and 2023, the operational flow continued to strengthen, although the company faced higher costs due to inflation and the increase in energy prices.

Effective flow of reversal activities:

In 2017-2019 UNACEM has earmarked significant effective flows for the reversal in this period. The main inversions were related to the modernization and expansion of its production plants in Peru, Ecuador and other key areas. The acquisition of assets from the large plaza, such as machinery and equipment, was an important component of the flow of reversal.

Furthermore, the company invited energy projects through its subsidiary Celepsa, which diversified its portfolio of assets. These inversions contributed to the improvement in operational efficiency and productive capacity. For 2020 UNACEM reduced the level of inversions in comparison with previous years due to the pandemic, therefore the preservation of liquidity was prioritized, and some capital projects were postponed important to avoid a deterioration in the cash flow.

Although some essential reversals continued for the maintenance of its plants and teams, the company adopted a conservative posture in relation to new reversal projects, focusing on ensuring the continuity of operations.

Finally in 2021-2023 the economic situation improved and UNACEM announced its reversals in key projects. The inversion effective flows increased significantly, with inversions focused on improving energy efficiency and increasing production capacity. UNACEM also continued to call on its renewable energy portfolio, which reflects its sustainability strategy.

Effective flow of financial activities:

For the period 2017-2019 UNACEM will use effective flows of financing to address its reversals and expand its productive capacity. The company resorted both to bank financing and debt issues to ensure the necessary capital for its expansion projects.

Furthermore, UNACEM maintained a policy of constant distribution of dividends, which implied the increase in effective flows to its actions, although this policy was sustainable due to good operational results.

In 2020 in response to the crisis generated by the pandemic, UNACEM increased its use of short-term financing to ensure the necessary liquidity for its operations. This includes the refinancing of existing debt and the obtaining of new loans to address the income tax problems.

In light of these measures, the company temporarily suspended its dividend distribution policy to prioritize effective retention and financial stability in an uncertain environment.

And for 2021-2023 UNACEM will begin to reduce the level of endemic disease to ensure that operational flows improve. First he refinanced part of his long-term debt to obtain more favorable conditions and attempted to reduce the use of short-term financing.

The company also reiterated its dividend policy, although more moderate in comparison with the years prior to the pandemic. Furthermore, the company continued to reduce its debt, which allowed for an improvement in its financial structure and in the effective flows intended for the service of the debt.

<i>En miles de soles</i>	2.017	2.018	2.019	2.020	2.021	2.022	2.023
Actividades de operación							
Cobranza a clientes	4.080.784	4.615.970	4.879.913	4.286.335	5.740.963	7.716.069	8.295.683
Recuperacion de impuestos	31.978	12.281	9.008	8.554	11.034	16.615	27.041
Pago a proveedores	-2.331.469	-2.740.104	-2.893.638	-2.490.949	-3.340.722	-5.172.713	-5.814.650
Pago a trabajadores	-420.417	-463.860	-649.524	-590.393	-688.632	-831.483	-891.341
Pago de impuesto a las ganancias	-130.999	-225.473	-154.254	-156.078	-149.613	-241.046	-417.560
Pago de intereses	-284.581	-313.390	-256.884	-219.028	-211.140	-172.413	-235.918
Pago de otros tributos	-184.433	-191.585	-306.489	-266.856	-354.657	-389.457	-354.560
Otros cobros (pagos), neto	-2.171	-30.138	-1.831	10.407	-1.743	-10.412	26.801
Efectivo neto proveniente de las actividades de operación	758.692	663.701	626.301	581.992	1.005.490	915.160	635.496
Actividades de inversión							
Venta de propiedades, platna y equipo	12.519	3.609	7.807	5.691	11.561	28.844	26.652
Cobro de dividendos	5.326	5.404	21.439	-	26.273	1.075	3.669
Compra de propiedades, maquinaria y equipo	-235.209	-221.075	-269.762	-224.407	-341.703	-420.541	-502.953
Compra de activos intangibles	-8.360	-9.403	-9.794	-6.595	-5.178	-15.895	-26.384
Obtencion de inversiones financieras	-	-	-	-21.708	21.708	-	-
Adquisicion de subsidiarias, neta del efectivo incorporado	-41.418	-169.114	-	-	3.430	-12.925	-1.558.443
Ajuste del precio de compra	1.446	172	-	-	-	-	-
Otros cobros(pagos), neto	421	-	-1.150	-2.546	10.984	-3.233	1.622
Efectivo neto utilizado en las actividades de inversión	-265.275	-390.407	-251.460	-249.565	-272.925	-422.675	-2.055.837
Actividades de financiamiento							
Prestamos recibidos de relacionadas	30.761	8.029	-	-	-	-	-
Obtencion de sobregiros	120.711	205.496	341.689	252.142	27.216	112.508	66.221
Obtencion de cesion de pago y prestamos bancarios a corto plazo	300.505	305.843	85.091	511.021	677.642	720.212	1.452.170
Obtencion de obligaciones financieras a largo plazo	439.445	2.023.250	881.430	644.460	1.280.248	233.143	2.230.800
Pago de sobregiros	-123.361	-215.416	-271.202	-348.149	-3.623	-96.914	-103.193
Pago de cesion de pago y prestamos bancarios a corto plazo	-525.001	-564.111	-163.547	-242.093	-798.248	-619.416	-1.245.514
Pago de obligaciones financieras a largo plazo	-655.388	-1.992.277	-1.129.503	-681.925	-1.925.354	-558.331	-647.507
Pago por pasivo por arrendamiento	-	-	-11.016	-11.125	-15.876	-11.016	-20.950
Pago de dividendos (controladora)	-85.603	-85.701	-120.818	-23.636	-115.886	-228.670	-140.092
Pago de dividendos (no controladora)	-3.056	-2.646	-3.804	-565	-7.235	-64.627	-35.451
Adquisicion de participaciones no controladoras	-	-	-	-2.387	-4.912	-18.612	-24.701
Compra de acciones propias	-	-	-	-	-11.610	-11.920	-64.434
Otros pagos, neto	-	-	-	-	-1.453	-	-
Incremento por fusion	-	-	28.972	-	-	-	-
Efectivo neto proveniente de las actividades de financiamiento	-500.987	-317.533	-362.708	97.743	-899.091	-543.643	1.467.349
Principales operaciones que no generaron flujo de efectivo -							
Adquisición de inmuebles, maquinaria y equipo bajo arrendamiento finan	32.168	44.022	43.333	31.649	64.237	82.755	49.590
Provision por cierre de carteras	3.572	20.135	672	-	-	-	-
Cuentas por pagar por adquisicion de propiedades, planta y equipo	21.444	6.505	58.606	19.834	23.388	22.574	26.372
Otros activos intangibles	787	2.162	933	316	-	-	-
Intereses capitalizados	-	2.510	2.340	1.708	4.348	3.157	6.077
Dividendos prescitos	-	-	897	1.644	3.500	31	29
Provision por desmantelamiento	2.267	1.591	1.677	1.402	289	503	-
Credito Mercantil	-	-	-	-	-	3.862	32.733

Tab. 5.7 Financial Statement Analysis of Unacem S.A. from 2017 to 2023 (*source: Our elaboration on UNACEM website*).

5.2.2 Financial Ratios

If you have an effective solution to know the situation of the company, this is the analysis of financial ratios. The management of the company and the most certain decisions in the business, pass through the evaluation and adjustment of these ratios, which help to control the finances in detail.

5.2.2.1 Management Ratios

The financial management or activity ratios serve to detect the effectiveness and efficiency in the management of the company. That is, how the company's management policies regarding cash sales, total sales, collections, and inventory management worked. Over the past six years, UNACEM's management ratings have shown fluctuations, driven primarily by its expansion strategy and operational challenges.

Among the most important ratios we will see:

1. Portfolio turnover ratio (accounts receivable)

This ratio measures, on average, how long it takes a company to collect from its customers. If the accounts receivable figure is higher than sales, it means that the company has a backlog of debtors, which is causing it to lose its ability to pay. Calculating this ratio helps determine whether the company's collection policies need to be changed. (Unacem have

$$\text{Portfolio turnover} = \text{Average accounts receivable} * 360 / \text{Sales}$$

2. Inventory turnover

This indicator provides information about how long it takes a company's stock to be converted into cash, and how many times stock needs to be replenished throughout the year. It is one of the most important financial ratios in inventory management.

$$\text{Inventory turnover} = \text{Average inventory} * 360 / \text{Cost of Sales}$$

3. Average payment period to suppliers

The average payment period to suppliers is the average time (in days) that a company takes to pay its debts to suppliers.

$$\text{Payment period to suppliers} = \frac{\text{Average accounts payable} * 360}{\text{Purchases from suppliers}}$$

4. Cash and bank turnover

The cash and bank turnover ratio is very interesting, since it is an index that will allow us to have an idea of the cash in hand to cover the days of sales.

$$\text{Cash and bank turnover} = \frac{\text{Cash and bank} * 360}{\text{Sales}}$$

5. Total asset turnover

The objective of this ratio is to measure how many sales the company generates for each euro invested.

$$\text{Total asset turnover} = \frac{\text{Sales}}{\text{Total assets}}$$

6. Fixed asset turnover

This type of financial ratio is almost the same as the previous one, except that instead of taking into account total assets, it only takes into account fixed assets.

$$\text{Fixed asset turnover} = \frac{\text{Sales}}{\text{Fixed assets}}$$

RAZONES GESTIÓN (ROTACION)											
Rotación de cuentas por cobrar	=	53,83	91,56	87,99	63,93	56,76	71,82	45,08	■ ■ ■ ■ ■ ■ ■ ■	veces/año	67,28
Periodo promedio de cobro	=	6,78	3,99	4,15	5,71	6,43	5,08	8,10	■ ■ ■ ■ ■ ■ ■ ■	días	5,75
Periodo promedio de cobro	=	6,78	3,99	4,15	5,71	6,43	5,08	8,10	■ ■ ■ ■ ■ ■ ■ ■	n° días	5,75
Rotación de cuentas por pagar	=	-3,89	-3,88	-4,37	-4,21	-4,15	-4,46	-4,70	■ ■ ■ ■ ■ ■ ■ ■	veces/año	-4,24
Periodo promedio de pago	=	-93,79	-94,01	-83,57	-86,80	-87,95	-81,81	-77,66	■ ■ ■ ■ ■ ■ ■ ■	días	-86,51
Periodo promedio de pago	=	-93,79	-94,01	-83,57	-86,80	-87,95	-81,81	-77,66	■ ■ ■ ■ ■ ■ ■ ■	días	-86,51
Rotación de inventarios	=	-3,39	-3,74	-3,85	-4,74	-5,36	-5,11	-4,62	■ ■ ■ ■ ■ ■ ■ ■	veces/año	-4,40
Plazo promedio de inmovilización de existencias	=	-107,82	-97,53	-94,76	-77,06	-68,13	-71,46	-78,92	■ ■ ■ ■ ■ ■ ■ ■	días	-85,10
Rotación de activo total	=	0,33	0,37	0,39	0,33	0,46	0,52	0,47	■ ■ ■ ■ ■ ■ ■ ■	veces/año	0,41
Costo de ventas sobre ventas	=	-69,3%	-72,1%	-72,6%	-76,3%	-70,3%	-72,8%	-75,2%	■ ■ ■ ■ ■ ■ ■ ■	%	-0,73
Gastos operativos sobre ventas	=	18,5%	18,2%	18,2%	12,5%	21,1%	18,2%	15,6%	■ ■ ■ ■ ■ ■ ■ ■	%	0,17
Gastos financieros sobre ventas	=	8,5%	8,2%	6,5%	6,4%	4,5%	3,2%	4,3%	■ ■ ■ ■ ■ ■ ■ ■	%	0,06

Tab. 5.6 Management Ratios Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

5.2.2.2 Solvency Ratios

These ratios inform about the level of debt of a company in relation to its net worth. In this case we have highlighted a single debt ratio:

$$\text{Debt ratio} = (\text{Liabilities} / \text{Net Equity})$$

In the short term:

$$\text{Debt ratio} = (\text{Current liabilities} / \text{Net worth})$$

Long term:

$$\text{Debt ratio} = (\text{non-current liabilities} / \text{Net worth})$$

UNACEM's debt ratios have fluctuated based on its expansion strategy, increasing debt to finance key acquisitions, but maintaining control over leverage levels through sound revenue and cost management.

RATIOS DE SOLVENCIA (ENDEUDAMIENTO)											
Apalancamiento del activo	=	59,2%	58,9%	55,4%	55,1%	51,7%	50,0%	56,8%		%	0,55
Endeudamiento patrimonial	=	1,46	1,43	1,24	1,23	1,07	1,00	1,32		%	1,25
Endeudamiento a corto plazo	=	0,36	0,32	0,32	0,38	0,33	0,41	0,49		%	0,37
Endeudamiento a largo plazo	=	1,10	1,12	0,92	0,85	0,74	0,58	0,83		%	0,88

Tab. 5.7 Solvency Ratios(Debt) Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

5.2.2.3 Profitability Ratios

This financial ratio is what measures the performance of a company in relation to its sales, assets or capital. We have selected four essential profitability ratios:

1. Profitability of the company in general

It is the ratio that measures the profitability of the business. The higher this ratio is, the more profitable the company is.

$$\text{Company profitability} = \text{Gross Profit} / \text{Total Net Assets}$$

2. Return on capital

This ratio serves to measure how profitable the capital contributed by shareholders is, as well as that which the company itself has been generating.

$$\text{Return on capital} = \text{Net profit} / \text{equity}$$

3. Return on equity capital






This ratio measures the profitability of the capital invested in the company based on the net profit obtained.

$$\text{Return on equity} = \text{Net profit} / \text{Equity}$$

4. Sales profitability

With this ratio, the relationship between the sales figure and the manufacturing cost of the product is measured.

$$\text{Sales profitability} = \text{Gross profit} / \text{sales}$$

RAZONES DE RENTABILIDAD											
Rentabilidad neta sobre patrimonio (ROE)	=	4,99%	4,28%	7,61%	2,39%	10,70%	11,58%	8,84%		%	7,20%
Rentabilidad neta sobre activos (ROA)	=	2,03%	1,76%	3,39%	1,07%	5,17%	5,79%	3,82%		%	3,29%
Rentabilidad neta sobre ventas	=	6,09%	4,69%	8,61%	3,24%	11,34%	11,03%	8,20%		%	7,60%
Rentabilidad bruta sobre ventas	=	30,69%	27,87%	27,44%	23,68%	29,75%	27,24%	24,82%		%	27,36%
Rentabilidad operativa sobre ventas	=	18,49%	18,18%	18,25%	12,54%	21,13%	18,15%	15,58%		%	17,47%

Tab. 5.8 Profitability Ratios Analysis of Unacem S.A. from 2017 to 2023 (source: *Our elaboration on UNACEM website*).

5.2.2.4 Liquidity Ratios

Liquidity ratios are used to measure the solvency of a company, that is, whether it will be able to pay its debts when they fall due. Although this ratio is usually used to measure short-term solvency, both in the short and long term it can also be used to anticipate cash flow problems. There are 4 liquidity ratios:

1. The general liquidity ratio or current ratio

This ratio indicates the proportion of short-term debts that can be covered by assets.

$$\text{General liquidity} = \text{Current Assets} / \text{Current Liabilities}$$

2. The acid test ratio

The acid test financial ratio, which is also known by its English name – acid test – is a more refined measure of a company's ability to meet its short-term debts with assets, since it subtracts from these assets those that form part of the inventory.

$$\text{Acid test} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$$

3. The defensive test ratio

This ratio is an indicator of whether a company is able to operate in the short term with its most liquid assets.

$$\text{Defensive test} = (\text{Cash and Banks} / \text{Current Liabilities}) * 100$$

4. The working capital ratio

By subtracting current assets from current liabilities, this type of financial ratio shows what a company has after paying its immediate debts. It would be an indicator of what a company has left at the end to be able to operate.

$$\text{Working capital} = \text{Current Assets} - \text{Current Liabilities}$$

Ratios	2017	2018	2019	2020	2021	2022	2023	Unidad	Promedio	
RAZONES DE LIQUIDEZ										
Razón circulante o corriente	=	0,90	1,07	0,94	0,94	0,99	0,87	0,86	%	0,94
Prueba ácida	=	0,42	0,50	0,41	0,62	0,60	0,50	0,49	%	0,51
* Activo líquido = Activo corriente - (inventario + gastos pagados por anticipado)										
Razón Liquidez Absoluta	=	0,10	0,08	0,08	0,30	0,23	0,14	0,14	%	0,15
Capital de trabajo (liquidez)	=	-145.493	100.785	-91.422	-116.606	-20.249	-304.489	-401.254	%	-139818,29

Tab. 5.9 Liquidity Ratios Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

5.2.3 UNACEM Market Indicators

Earnings per Share (EPS) of 0.21 soles: The EPS measures the amount of profit generated by each outstanding share. An EPS of 0.21 soles indicates that UNACEM generates a moderate profit per share. If this value is stable or growing, it can be a positive sign that the company is profitable, but it is important to compare it with its history and with other companies in the sector.

Dividend Yield of 5.48%: The dividend yield shows the return on the investment that you get in the form of dividends. A yield of 5.48% is relatively high, which is attractive if you are looking for recurring income through dividends. This suggests that UNACEM is a company that distributes a considerable part of its profits to shareholders, which can be a good indication of stability.

Price-to-Earnings (P/E) ratio of 6.89 years: This ratio measures how much investors are willing to pay for each sol of profits that the company generates. A P/E ratio of 6.89 is quite low, indicating that the stock is trading at a relatively cheap price compared to its earnings. This may suggest that the stock is undervalued or that investors have expectations of low future growth. If you are confident that the company's prospects will improve, it could be an attractive investment opportunity.

INDICADORES DE MERCADO - (RATIOS)

Unacem Corp SAA(UNACEM C1)

viernes, 6 de septiembre de 2024

Precio 06-09.2024

	1,460	↓	↓	+0.010 (+0.69%)	Volume:	13.989		
Prev. Close (viernes 6 de Setiembre)	1,45				Day's Range	1.46-1.46	Revenue	6.68B
Open	1,46				52 wk Range	1.35-1.9	EPS, UPA	0,212
Volume	13.898				Market Cap	2.51B	Dividend (Yield)	0,08 5,48%
Average Vol. (3m)	919.079				P/E; PER Ratio	6,84	Beta	0,578
1-Year Change	9,88%				Shares Outstanding	1.729.191.000	Next Earnings Date	<u>Sep 09, 2024</u>
Rentabilidad diaria	0,69%			Precio actual / Precio anterior -1				
Incremento de precio	0,010							
UPA= UN / N° Acciones comunes	<u>Utilidad Neta</u>	<u>S/366.588.492</u>		S/0,21				
	<u>N° Acc. Comunes</u>	1.729.191.000						
	PER = $\frac{\text{Precio final}}{\text{UPA}}$	$\frac{\text{S/1,46}}{\text{S/0,212}}$		6,89	años			
Dividend (Yield)	$\frac{\text{Dividendo}}{\text{Precio}}$	$\frac{0,08}{1,46}$		5,48%				

Tab. 5.10 Market indicators Analysis of Unacem S.A. from 2017 to 2023 (source: Our elaboration on UNACEM website).

VIII. CONCLUSIONS

The financial analysis of UNACEM and its participation in the Lima Stock Exchange reveals that, although the company remains a relevant player in the cement sector, it faces both internal and external challenges that could affect its future performance.

In terms of financial indicators, UNACEM shows strength in some key aspects, but also shows vulnerabilities in an economic context that demands operational efficiency and adaptive strategies in the face of international competition and market fluctuations.

The Lima Stock Exchange, for its part, has demonstrated sustained growth, but needs to strengthen its integration with global markets to attract more international investments.

This study suggests that, while the LSE offers opportunities for local companies, reforms and improvements to its infrastructure are also required to increase its global competitiveness.

Finally, UNACEM's analysis highlights the importance of solid financial management, and a long-term strategy aimed at innovation and expansion, which will be essential for its growth in an increasingly demanding market environment.

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