

Equity Research

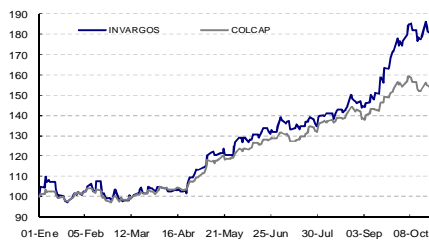
Inversiones Argos S.A. advances in the diversification of its portfolio.

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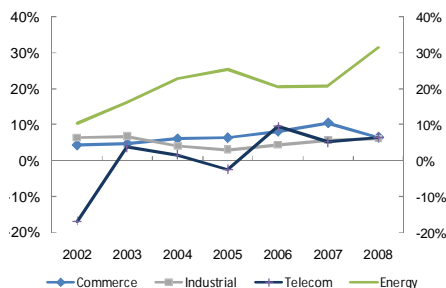
Stock performance	
52 Week Low	\$ 7.300
52 Week High	\$ 16.880
Market Price 29-Oct-09	\$ 16.060
YTD Variation (%)	77,5%
Shares Outstanding (million)	645,40
Market Cap (COP\$ million)	10.365.124
Target Price 2010E	Under revision
Upside	n.a.

Figure 1. Inversiones Argos vs. COLCAP
 (Ene'09 = 100)



Source: Valores Bancolombia with data from BVC.

Figure 2. Return over equity by sectors.



Source: Valores Bancolombia with data from Supersociedades and BPR.

Highlights:

- Inversiones Argos S.A announced on October 28 a plan to sell a minority stake of its holdings of Cementos Argos S.A., corresponding to a minimum of 5% and a maximum of 9.73% of the later's outstanding shares (1.151.672.310). According to the company, the proceeds of the sale will be destined to pre-pay the debt acquired to finance the acquisition of its stake in Colombiana de Inversiones S.A. back in April'09 (COP200.000 million) and to further the diversification of its portfolio in the energy and cement sector.

- The operation implies that Inversiones Argos S.A. would sell up to 112.057.716 shares, which amount to COP1.2 billion valued at Cementos Argos's closing price on October 28 (COP10.740).

- Therefore, Inversiones Argos S.A. would reduce its majority stake at Cementos Argos S.A. from 70% to 61%, allowing it to increase its exposure to the energy sector while through a judicious use of the different sources of funding available.

- The company also announced that it has obtained a COP500.000 million loan to finance the acquisition of a 15.07% stake at Empresa de Energía del Pacífico, EPSA S.A. E.S.P. from Spanish-based Unión Fenosa. The operation is set to take place before year-end at a COP9,164,8 price per share (COP478.775 million).

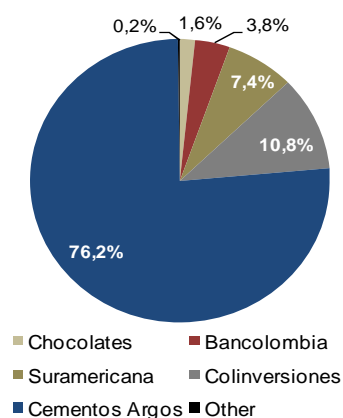
- From a fundamental perspective, both operations could add upside potential to the stock, as in the past seven years investments in the country's energy complex have yielded an average return on equity of 21%, above other sectors in the economy (see Figure 2).

- Consequently, the estimated target price for December 2010 is placed under revision awaiting the disclosure of the final terms of the operation.

**Table 1. Selected Financial Indicators
(COP Billions)**

	2004	2005	2006	2007	2008	1T09	2T09	3T09
Cash & cash equivalents	40	51	30	5	204	186	163	219
Debt outstanding	34	1	1	0	419	419	577	646
Equity	3.753	6.060	6.287	6.672	5.766	6.045	6.936	8.163
Debt / Equity	0,9%	0,0%	0,0%	0,0%	7,3%	6,9%	8,3%	7,9%

Source: Valores Bancolombia with data from Inversiones Argos.

Figure 3. Inversiones Argos - Investment Portfolio

Source: Valores Bancolombia with data from Inversiones Argos

**Table 2. Inversiones Argos S.A Individual Financial Statements
(Billions)**

Cash Flow	2007	2008	A Sep. 08	A Sep. 09	Var. (%)
Net sales	179	140	58	347	500%
Operating expenses	7	21	6	10	59%
Operational income	172	119	52	337	552%
Non-operative income	5	-17	-11	-44	313%
Net income	174	91	41	293	615%

Balance Sheet	2007	2008	A Sep. 08	A Sep. 09	Var. (%)
Cash & cash equivalent	5	204	204	219	7%
Total assets	6.724	6.252	6.252	8.893	42%
Current liabilities	49	64	64	82	28%
Non-current liabilities	3	422	422	648	54%
Total liabilities	52	486	486	730	50%
Equity	6.672	5.766	5.766	8.163	42%

Source: Inversiones Argos S.A.

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Client of the firm: Inversiones Argos S.A. is or was in the past 12 months a client of VALORES BANCOLOMBIA S.A. COMISIONISTA DE BOLSA; during the past 12 months.

VALORES BANCOLOMBIA S.A. COMISIONISTA DE BOLSA expects to receive, or intends to seek, compensation for financial services in the next three months from Inversiones Argos S.A.

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