

An analysis of 2024 maturities

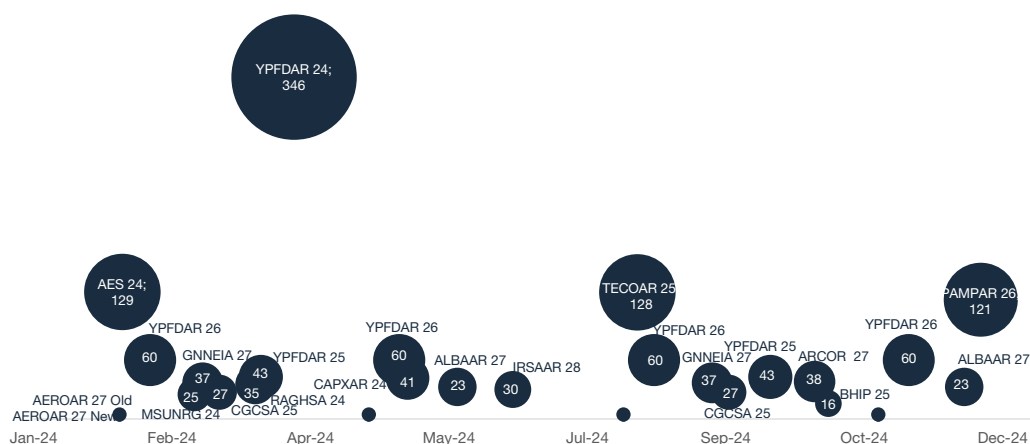
We believe 2024 coupon and amortization payments are manageable, given that of the 20 corporate bonds paying amortizations, only 4 are above USD100mn. YPFDAR 8.75 2024s is the largest maturity of USD346mn. It is followed by AES 7.75 2024s of USD129mn, TECOAR 8.5 2025s of USD128mn, and PAMPAR 9.5 2026s of USD121mn. The rest of the maturities are in the range of USD60-20mn.

Considering that macroeconomic perspectives are grim in the short term, AES Argentina Generacion bond that matures on February 2nd, might seem the one with the highest risk. If we see the glass half full, the company will continue receiving cash inflows from the Alicura concession at least until January 18th, 2024. On October 10th, the Secretariat of Energy announced the extension of the Alicura concession, the company’s main hydroelectric plant, for another 100 days. Thus, the next government will decide the fate of the hydro concessions matured in 2023 and the upcoming ones in 2024.

However, we believe that the new government will avoid one of the Argentine companies going into default a few weeks after taking office. It will be a bad start. We expect the company to re-open the exchange offer of the 2024 bond for the AES 9.5 2027 and/or tap the local market, given the company’s tight liquidity position. As of June 30th, 2023, cash + ST investments were USD77mn.

Figure 1: YPFDAR 8.75 2024 is the largest maturity next year

Argentine Corporate Global bonds amortizations in 2024 | USDmn



Source: TPCG Research based on companies’ reports.

Other bond that matures in 1Q24 is MSUNRG float 2024 on February 28th of USD25mn. MSU Energy’s cash + ST investment was USD49mn as of June 30th, 2023. We expect the company to have increased its liquidity position in 3Q23, with a higher FCF positive on the back of an improvement in collections from Cammesa. As a result, we expect the company’s liquidity position to be enough to cover the amortizations of the 2024 global bond and the USD45.5mn local bond that matures on February 11th, 2024. In the case that the restrictions to access the FX market to cancel amortizations remain, the company might announce the issuance of a new local bond and propose the exchange offer of the existing local bonds. With this in mind, we recommended buying MSUNRG 6.875 2025 in our *New power generation projects on sight* report.

2Q24 is the bulkiest quarter in maturities, mainly because of YPFDAR 24s which matures on April 4th. We do not expect YPF to have issues to cancel the bond. First, YPF’s 2Q is one of the strongest in terms of exports and local diesel sales. The company not only will increase grain and flours exports, on the back of the expected improvement in weather conditions that will boost the 2024 harvest, but also it will show higher crude oil exports, thanks to the rise in Oldeval’s transportation capacity.

Second, YPF could turn again to multilateral lending, increase export pre-financing or tap the local market. On August 7th, YPF obtained another cross-border A/B loan from CAF of USD375mn.

In addition to MSU Energy, YPF, and AES global bonds, Capex and Ragsha also have maturing bonds in 2024. Given that the exchange offers of the bonds showed a high participation rate of 82.65% and 62%, companies only have to cancel the amount outstanding of USD41mn and USD35mn, respectively. If the current Central Bank regulation is extended, Capex and Ragsha should have access to the FX market to cancel the bonds. Similarly, companies should continue to have access to cancel the amortizations of the bonds resulting from past exchange offers, such as TECOAR 8.5 2025, PAMPAR 9.5 2026, and YPFDAR 9 2026.

With this in mind, we do not expect companies to be in distress next year. What also supports our view is that most corporate bond issuers show a revenue mix with over 50% USD linked. In a case of an FX devaluation, all power generation companies account for PPAs. The ones with a higher percentage of PPAs are more robust. Then, we expect YPF's exports to increase in weight, which will help the company offset local gasoline sales deterioration. Other companies with revenues in USD are CGC, Capex, Aeropuertos Argentina 2000, Ragsha, IRSA, and ARCOR. For this reason, we see an unlikely scenario in which companies could not comply with the payment of coupons and amortizations.

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