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Corporates Argentina - Equity

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Vista 3Q23: back on track

Trade Book

Open Trades

Trade	Trade	Rationale
EXD		
Buy VIST	Open Price: USD18.23 Target Price: USD35	Opening Date: 15/02/23
	Vista has delivered a strong performance in the past years, with revenues growing rapidly by focusing on shale crude oil production. In 4Q23, we believe Vista's revenue growth will be driven by increasing exports amid a high-price international environment. Vista accounts for a low-cost structure and the lowest net leverage in the sector.	

Vista ADRs | Price (USD)

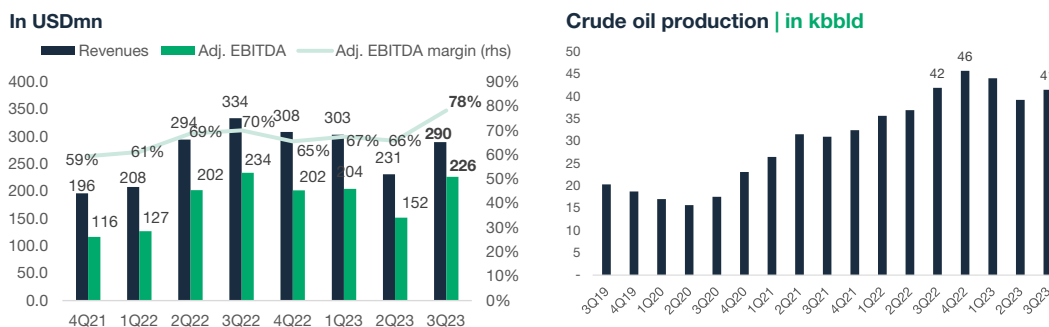


VIST	Overweight
Price target	35.00
Price (25-Oct-23)	30.11
Potential Upside	16%

Vista's 3Q23 results showed a qoq improvement, although they remained below 2022 levels. The key important points are: (i) revenues were up by +25% qoq despite the realized local crude oil price decreasing by 2% qoq / 8% yoy to USD58.8/bbl, (ii) the EBITDA margin rise +12pp qoq / +8pp yoy to 78%, thanks to flat lifting costs on the back of crude oil production increasing +5.8% qoq, (iii) the company's liquidity position remains strong despite being FCF negative for the second consecutive quarter.

In the face of deteriorating local crude oil prices, crude oil exports will remain to be Vista's main growth driver, on the back of strong international prices and the new Vaca Muerta FX. The benefits of the Aconcagua Energia agreement are already reflected in costs being under control and of the Trafigura agreement on the USD20mn cash inflow. This led us to believe that the company is going in full sail to achieve its updated 70kboed production target in 2024. For this reason, we remain **Overweight** on **VIST** and reiterate our price target of USD35.

Figure 1: Vista's EBITDA margin reached a record high of 78%



Source: TPCG Research based on Vista's FFSS

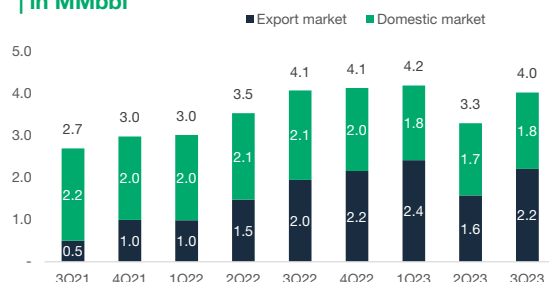
We believe hydrocarbon production resumed the growth path. In 2Q23, it went down by 11% qoq to 46.6kboed, with crude oil production of 39.2kbbld, because the company focused on the development of new areas: Bajada del Palo Este and Aguila Mora pilot projects. In 3Q23, crude oil production was up by +6% qoq to 41.5kbbld, driving hydrocarbon production to 49.5kboed. It is worth mentioning that hydrocarbon production reached 53kboed in September, up +16% from July, which was 45.6kboed. September's ramp-up shows that Vista's 4Q23 production target of 60kboed is achievable.

With the increase in production to boost crude oil exports, the company will be able to tame cost pressures and sustain margins high. In 3Q23, the Adj. EBITDA jumped +49% qoq to USD226.4mn, with revenues increasing +25% qoq to USD289.7mn at a higher pace than lifting costs (+7.9% qoq to USD21.9mn).

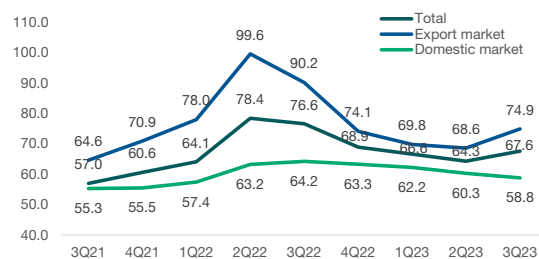
Crude oil export volumes sold were up by 39% qoq / 13% yoy to 2.2MMbbl (24kbbld). We expect it to increase materially in 4Q23, as Vista's evacuation capacity for exports increased by +7.5bbld thanks to the recent completion of the initial phase of the Oldeval expansion project and will further increase by another +12.5kbbld with the completion of the Vaca Muerta Norte pipeline, that is expected before year end. With the shift in production towards international markets, Vista's average realized price should improve. In 3Q23, Vista's average realized price was USD67.6/bbl, while the one of the export market was USD74.9/bbl and of the domestic market USD58.8. Crude oil volumes sold were represented 55% in 3Q23 vs. 48% in 3Q22.

Figure 2: Vista's crude oil exports will show an uptick thanks to the debottleneck of transportation capacity.

Vista's crude oil volume sold
| in MMbbl



Vista's crude oil avg realized prices
| in USD/bbl



Source: TPCG Research based on Vista's FFSS

Vista's FCF remained negative at -USD39mn, although it improved from -USD84mn in 2Q23, thanks to the cash inflow of USD20.4mn from farmout agreement with Trafigura, higher FFO (+50% qoq to USD205mn) and lower taxes paid (-39% yoy / -14% qoq to USD2mn). Capex remained relatively flat qoq at USD164mn. Capex for drilling and completion of Vaca Muerta assets increased by +25% qoq to USD130.5mn, as 11 wells were drilled vs. 2 in 2Q23. In contrast, Capex for G&G studies, IT projects and other infrastructure was down to USD2mn from USD27.2mn in 2Q23.

Despite being FCF negative for the second consecutive quarter, the company's liquidity level remains adequate, with cash + ST investments covering short term debt by 127%. The LTM3Q23 net leverage remained low at 0.7x.

Figure 3: Vista's 3Q23 summary financials.

	3Q22	3Q23	Chg yoy	2Q23	3Q23	Chg qoq
Operating Data						
Oil production (kbbld)	41.9	41.5	-1.0%	39.2	41.5	5.8%
Natural Gas (MMm3d)	1.3	1.2	-7.6%	1.1	1.2	13.0%
NGL (kbbld)	0.5	0.3	-34.2%	0.6	0.3	-45.0%
Total (kboed)	50.7	49.5	-2.4%	46.6	49.5	6.2%
Summary financials (in USDmn)						
Income Statement Items						
Revenues	333.5	289.7	-13.1%	231.0	289.7	25.4%
Opex	515.7	459.2	-11.0%	345.9	459.2	32.8%
Adj. EBITDA	233.6	226.4	-3.1%	151.8	226.4	49.2%
Net Income	76.6	83.1	8.5%	52.2	83.1	59.3%
Adj. EBITDA Margin	70%	78%		66%	78%	12%
Balance Sheet Items						
Short Term Debt (incl. leases)	169.0	136.4	-19.3%	68.3	136.4	99.6%
Long Term Debt (incl. leases)	406.3	618.1	52.1%	651.2	618.1	-5.1%
Total Debt (incl. leases)	575.3	754.5	31.2%	719.5	754.5	4.9%
Cash & Cash Eq. + ST Investments	182.8	173.8	-4.9%	222.6	173.8	-21.9%
Gross Leverage (LTM)	0.8x	1.0x		0.9x	1.0x	
Net Leverage (LTM)	0.6x	0.7x		0.6x	0.7x	
Cash / ST Debt	108%	127%		326%	127%	
ST Debt / Total Debt	29%	18%		9%	18%	
Debt / Capital	31%	30%		31%	30%	
Cash Flow Items						
Funds From Operations	236.3	204.9	-13.3%	136.6	204.9	49.9%
Change in Working Capital	(14.2)	(65.2)	358.3%	(11.0)	(65.2)	493.3%
CFO after cash interest & taxes	185.9	110.7	-40.4%	85.5	110.7	29.5%
Capex (Disposals)	(153.8)	(163.9)	6.6%	(163.3)	(163.9)	0.4%
Free Operating Cash Flow	32.1	(53.2)	n.m.	(77.9)	(53.2)	-31.7%
Acquisition (Disposals)	1.8	14.1	681.4%	(6.3)	14.1	n.m.
Free Cash Flow	33.9	(39.2)	n.m.	(84.1)	(39.2)	-53.4%

Source: TPCG Research based on Vista's FFSS

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