Argentina:
Corporates 3Q23 Update

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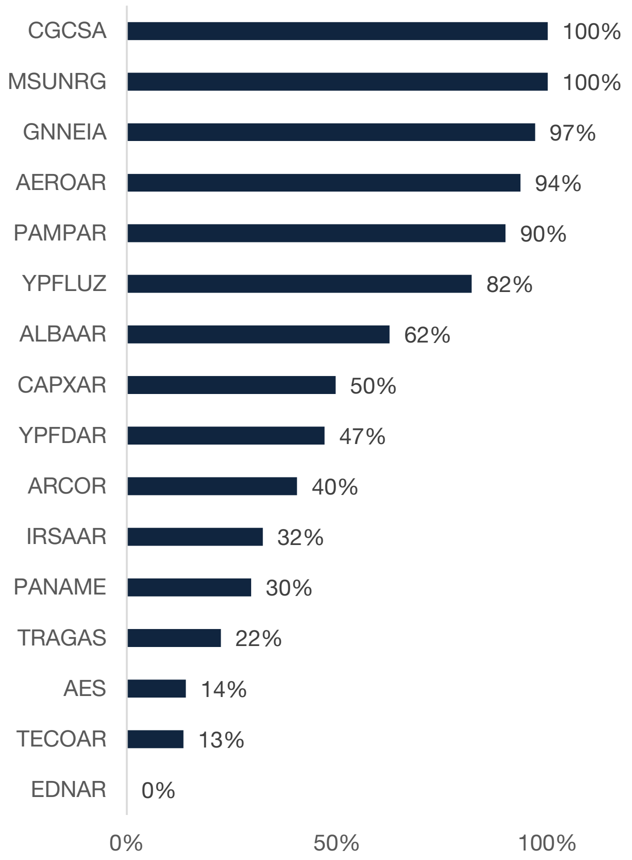
Argentine corporates

Estimated % of revenues USD-linked



- Our analysis of Argentine companies show that in the face of an FX devaluation, CGC, MSU Energy, Genneia, Pampa Energia, and YPF Luz, will be the more resilient considering the high % of revenues USD-linked.
- Next in line are AA2000 and IRSA, which both show strong liquidity levels and declining leverage. In the case of AA2000, international passenger fees will help to compensate for the decline in local fees. We expect IRSA's revenues from office building leases to remain stable, while from shopping centers to decline. Ultimately, IRSA, in case of need, can sell one of its properties.
- Arcor, YPF, and PAE revenues from international markets will help to compensate the dilution of revenues in ARS. Although PAE exports more crude oil than YPF, both companies are negatively impacted by the lack of adjustment in pump prices and their liquidity levels are tight.
- TGS exports liquids mainly during summer. However, we believe it will not be enough to offset declining nat gas transportation tariff and liquids local prices in USD terms. Edenor profitability would plummet again. The company's revenues remain weak due to the lack of tariff adjustments. However, TGS and Edenor cash-ST investments more than cover ST debt.
- Generacion Mediterranea (GEMSA), AES Argentina, Capex SA, and Telecom revenues are mostly in ARS and their liquidity has been tight in the past quarters. Even though GEMSA and AES Argentina account for USD-linked PPAs, the companies' asset portfolio is mainly under Energia Base which is in ARS and adjusted discretionally by the government. On the positive side, GEMSA's Ezeiza project will reach COD this December, which means that as of January the company's revenues from PPAs will increase. In the case of AES Argentina, we do not expect the company to face any issues in paying the 2024 bond.

Agenda

O&G

- YPF SA
- Pan American Energy
- Pampa Energia
- Cia. General de Combustibles
- Capex SA
- TGS

Utilities

- AES Argentina Generación
- YPF Luz
- Generación Mediterranea
- Genneia
- MSU Energy
- Edenor

Banks

- Banco Macro
- Banco Galicia

Retail / Telcos / Real Estate

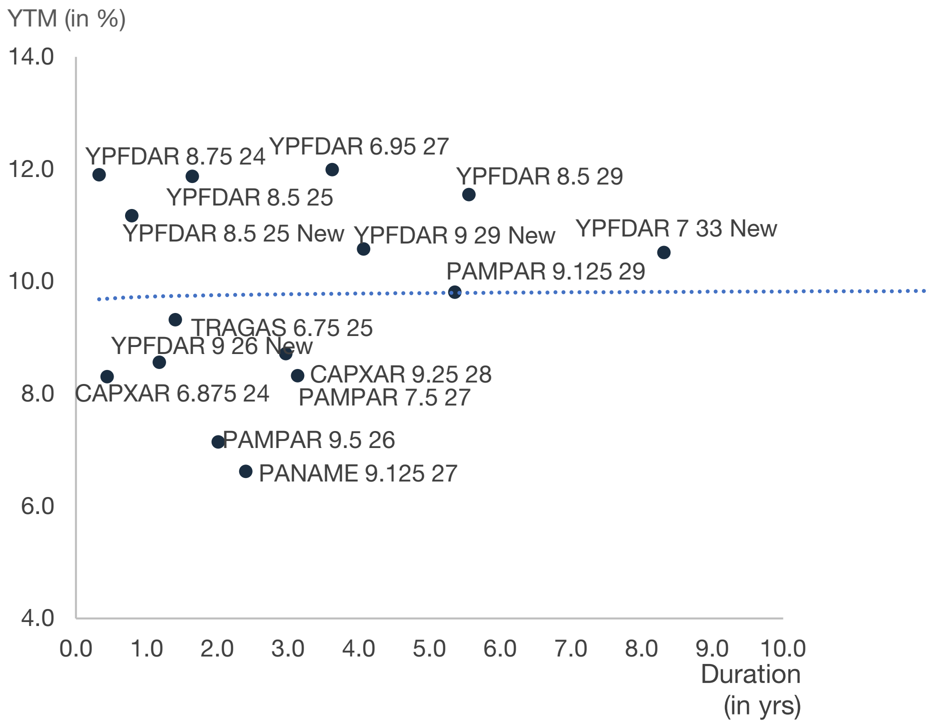
- Telecom
- Arcor
- Aeropuertos Argentina 2000
- IRSA IR

O&G companies’ main figures

Summary financials as of 3Q23.

	YPF YPFDAR	Pan American Energy PANAME	Pampa Energia PAMPAR	CGC CGCSA	Capex SA* CAPXAR	TGS TRAGAS
Total Production (KBOED)	**519.7**	**155.4**	**67.3**	**61.1**	**17.2**	**-**
In USDmn						
Revenues	**4,504.0**	**1,196.7**	**474.0**	**297.2**	**104.5**	**239.0**
Adj. EBITDA	**926.0**	**390.0**	**244.0**	**115.6**	**47.6**	**86.8**
Net Income	**(137.0)**	**181.2**	**153.0**	**(8.4)**	**1.7**	**15.6**
Gross Margin	18%	29%	38%	23%	46%	34%
Adj. EBITDA Margin	21%	33%	51%	39%	46%	36%
Capex	**1,500.0**	**464.4**	**172.1**	**130.0**	**37.5**	**67.4**
Free Cash Flow	**(265.0)**	**(61.2)**	**(43.3)**	**(101.3)**	**(41.8)**	**14.9**
Cash & Cash Eq. + ST Investments	**1,478.0**	**295.5**	**963.9**	**297.2**	**14.0**	**468.8**
ST Debt (incl. leases)	**1,836.0**	**747.1**	**351.9**	**182.7**	**288.4**	**63.4**
Total Debt (incl. leases)	**8,689.0**	**1,894.3**	**1,640.8**	**1,174.3**	**328.2**	**573.4**
(Cash + ST Investments) / ST Debt	81%	40%	274%	163%	5%	739%
Gross Leverage (incl. leases) (LTM)	2.2x	1.2x	2.3x	3.4x	1.8x	1.5x
Net Leverage (incl. leases) (LTM)	1.7x	1.1x	1.0x	2.5x	1.7x	0.3x

Source: TPCG Research based on the companies’ reports, Bloomberg *As of 1Q24



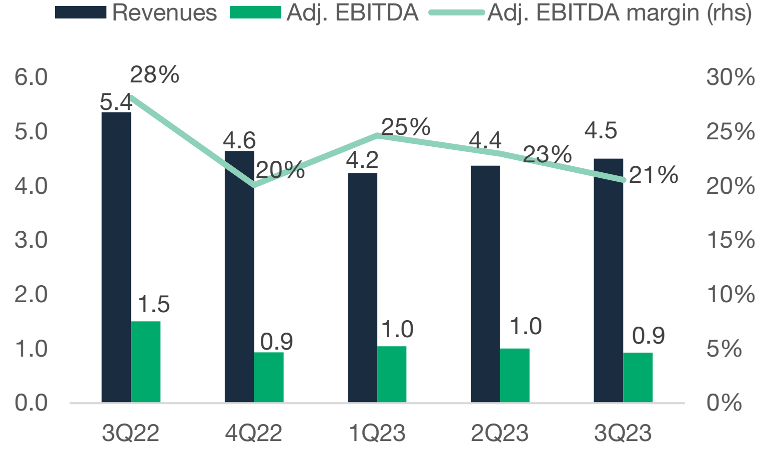
In 3Q23, O&G sector companies faced a lower price environment mainly due to the government establishing the local crude oil at USD56/bbl as of August. PAE gasoline sales dropped 18% yoy / 5% qoq, while in the case of YPF, they were down by 6% yoy / 1% qoq. What helped YPF to partly offset the weak local revenues was to come back to the export market. YPF crude oil exports were USD152mn (1,710Kbbl). PAE also increased oil exports. Volumes sold were up by 1.8x yoy / 2.1x qoq to 5,336Kbbl.

With Milei as the new President, we expect a faster correction of energy prices than if Massa had been elected. Among energy prices, we believe YPF’s gasoline and diesel prices are the easiest to adjust than natural gas and electricity tariffs paid by households. If this happens, YPF and PAE cash generation should improve materially. So far, the negative FCF has been financed with local bond issuances. Because of the attractive local market conditions, the companies’ leverage levels did not increase much and remained adequate.

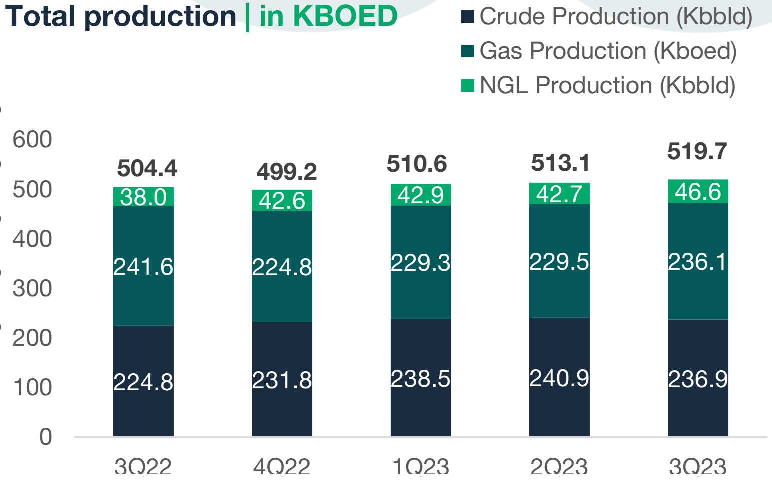
YPF SA (YPFDAR)

- In 3Q23, YPF's revenues were USD4,504mn (-15.9% yoy / +2.9% qoq). Domestic sales, which accounted for 89% of total revenues, were down by 14.8% yoy to USD4,025mn, although they were up by +1.1% qoq. Exports sales increased by +21.6% qoq to USD479mn, with crude oil exports increasing to USD152mn from USD46mn in 2Q23.
- YPF's Adj. EBITDA was down by 38.5% yoy / 7.8% qoq to USD926mn. The EBITDA margin eroded to 21% from 23% in 2Q23 and 28% in 3Q22.
- YPF's total production was 519.7KBOE/D (+3.0% yoy / +1.3% qoq). Shale production grew by +16% yoy / +4.1% qoq to 240KBOE/D with gas production growing by +6.5% yoy / 7.1% qoq to 18.2Mm3d. Shale crude oil was down -2.5% qoq to 92.2KBBL/D. However, it was 19.8% above 3Q22.
- YPF's FCF was negative at –USD265mn vs. –USD172mn in 2Q23, with Capex increasing +9.8% qoq to USD1,500mn.
- As of Sept-30th, 2023, YPF's total debt including leases was up by +4.5% qoq to USD8,689mn. Cash + Investments was up by +0.5% qoq to USD1,478mn. The company's LTM3Q23 reported net leverage was up to 1.7x from 1.4x in LTM2Q23.

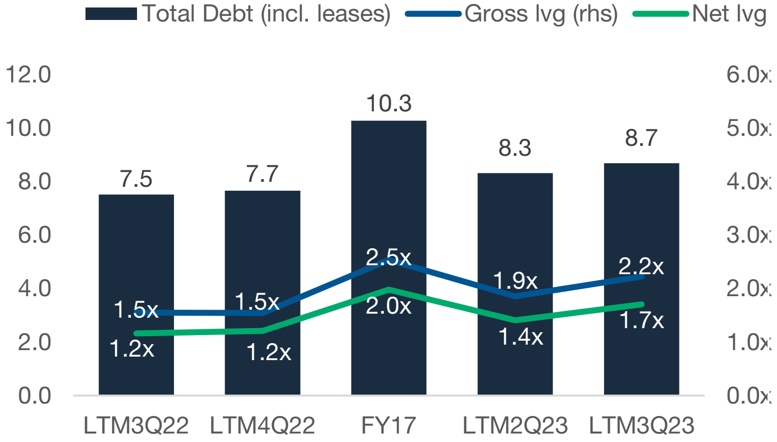
In USDbn



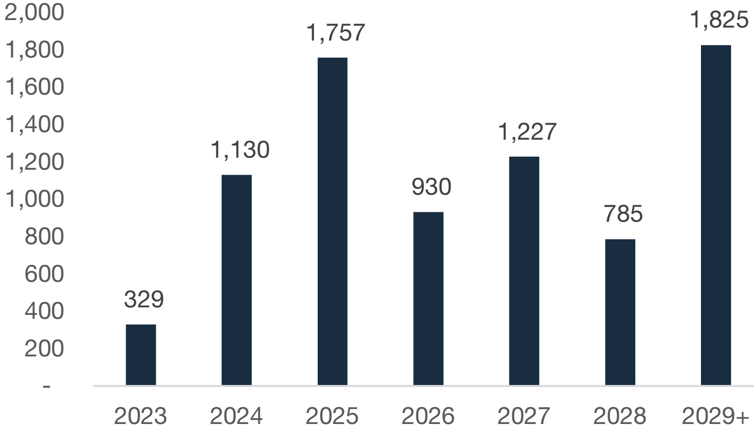
Total production | in KBOED



In USDbn



Maturity schedule as of Sept 30th, 2023 | in USDmn

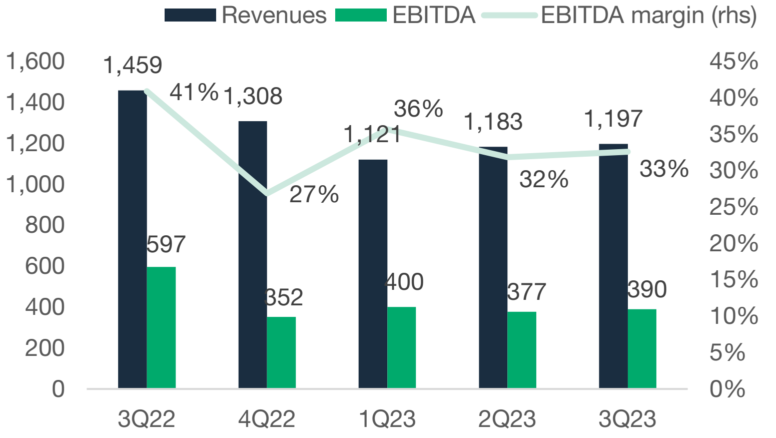


Source: TPCG Research based on the company's reports

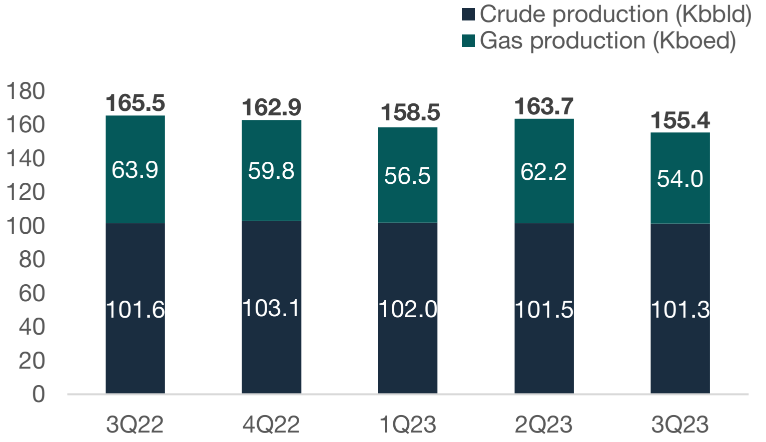
Pan American Energy (PANAME)

- In 3Q23, Pan American Energy's revenues were USD1,197mn (-18% yoy / +1.2% qoq). Gasoline sales dropped by 18% yoy / 4.9% qoq. The EBITDA was USD390mn (-35% yoy / +3.6% qoq), with administrative expenses increasing by +20% yoy / +9% qoq. The EBITDA margin was down to 33% from 32% in 2Q23 and 41% in 3Q22.
- In 3Q23, total O&G production was down by -6.1% yoy / -5.1% qoq to 155.4kboed, with natural gas production at 54.0kboed (-13.1% qoq) and oil production at 101.3kbbld (-0.2% qoq).
- FCF deteriorated to –USD61mn from –USD38mn in 2Q23, mainly driven by inventory cash outflows of USD92mn. Capex increased by 47% yoy / 27% qoq to USD464mn.
- As of Sept-30th, 2023, Pan American Energy's total debt (incl. leases) was down -24% qoq to USD1,894mn. Cash & Eq. + ST investments increased by +15% qoq to USD296mn, not enough to cover short term debt of USD747mn. According to our estimates, the company net leverage was down to 1.1x in LTM3Q23 from 1.3x in LTM2Q23.

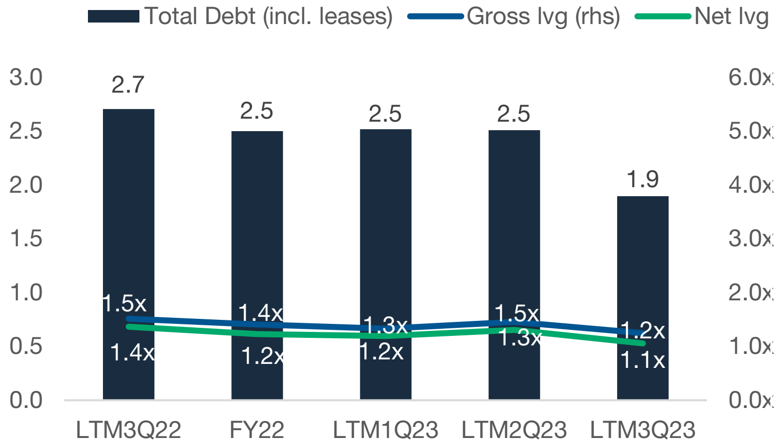
In USDbn



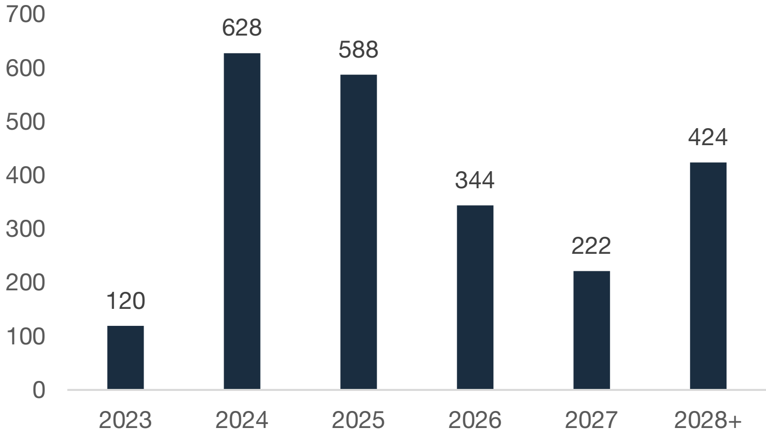
Total production | in KBOED



In USDbn



Maturity schedule as of Sept-30th, 2023 | in USDmn

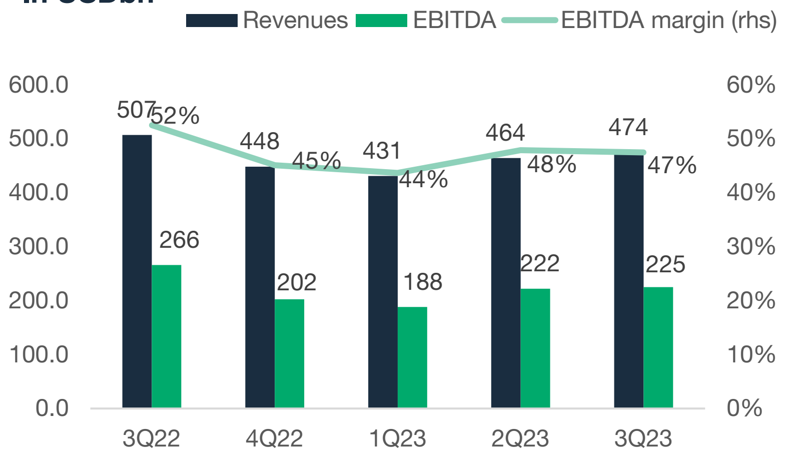


Source: TPCG Research based on the company's reports

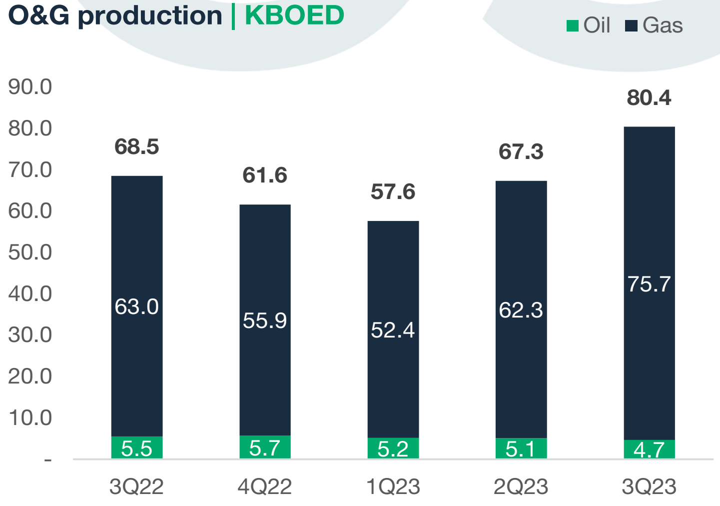
Pampa Energia (PAMPAR)

- In 3Q23, Pampa Energia's revenues were down by -6.5% yoy, although they were up +2.2% qoq to USD474mn. The Adj. EBITDA was USD244mn (-0.8% yoy / +9.9% qoq). The Adj. EBITDA margin increased to 51% from 48% in 2Q22.
- E&P revenues, which accounted for 44% of total sales, were up by +10% yoy / +11% qoq to USD207mn. Natural gas sales grew by +20% yoy / +22% qoq to 75.8kboe/d driven by higher delivery volumes under Plan Gas Ar. Power generation sales decreased by -3.6% yoy / -4.7% qoq to USD163mn, explained by lower Energia Plus and legacy energy prices. The Adj. EBITDA was USD91mn (+1.7% yoy / -7.4% qoq).
- FCF was negative at –USD43mn from –USD65mn in 2Q23, on higher WK cash outflows (-USD127mn vs –USD42mn in 2Q23) and Capex (+4.4% qoq to USD172mn).
- As of Sept-30th, 2023, Pampa Energia's total debt (including leases) was down -1.7% qoq to USD1,641mn. Cash & Eq. + ST Investments increased by +10.6% qoq to USD964mn, covering short-term debt by 2.7x. The reported consolidated net lvg was down to 1.0x from 1.1x in LTM2Q23.

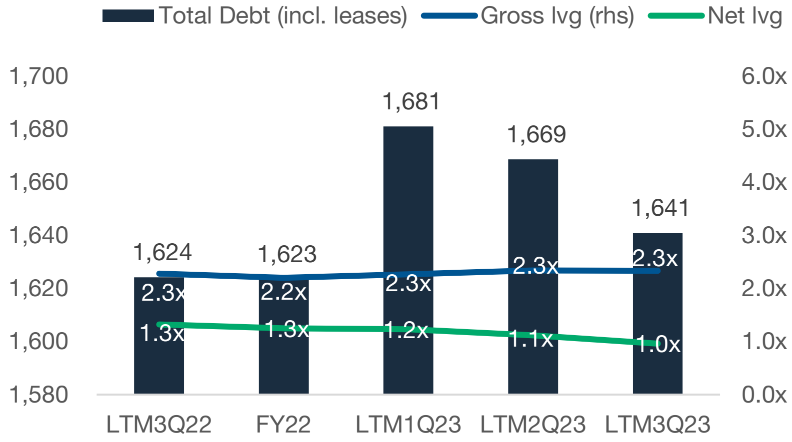
In USDbn



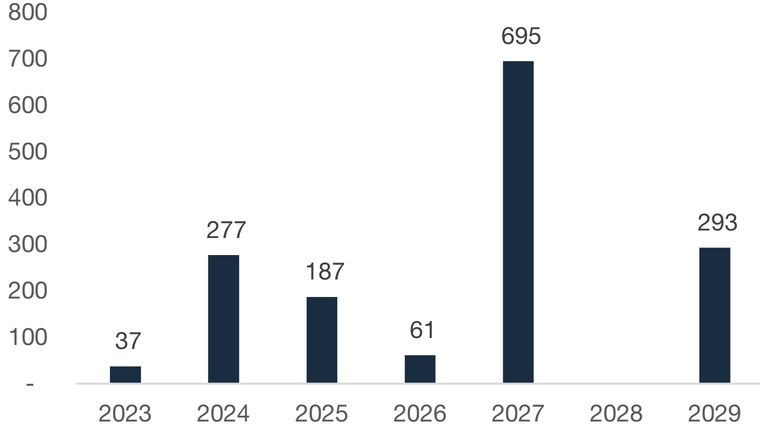
O&G production | KBOED



In USDbn



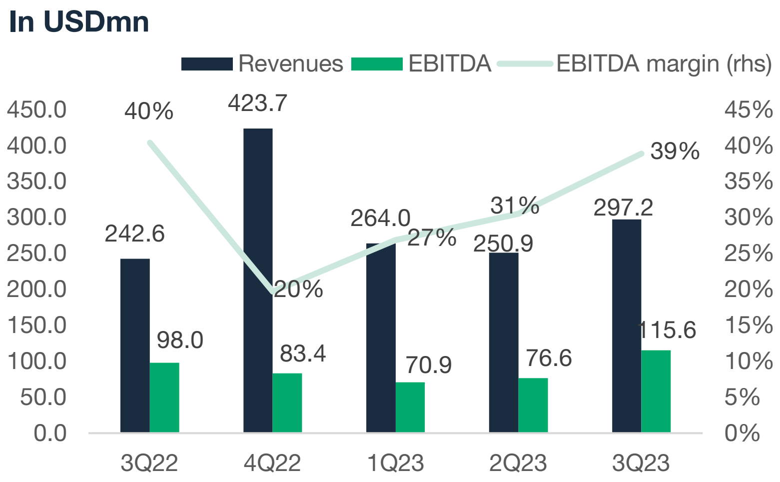
Maturity schedule as of Sept-30th, 2023 | in USDmn

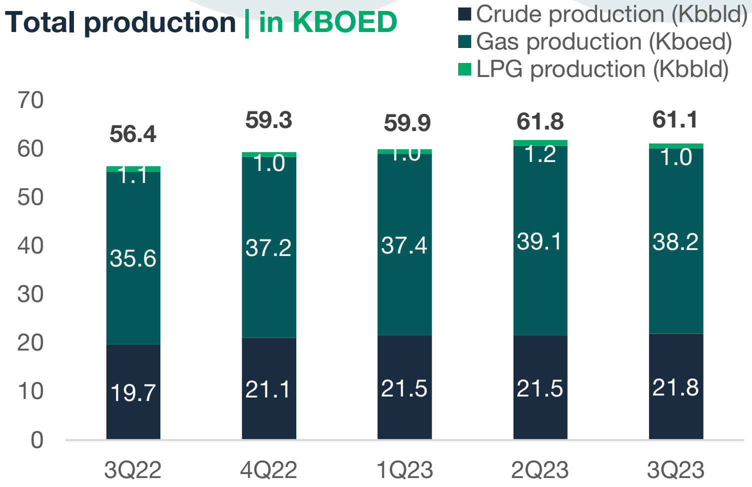


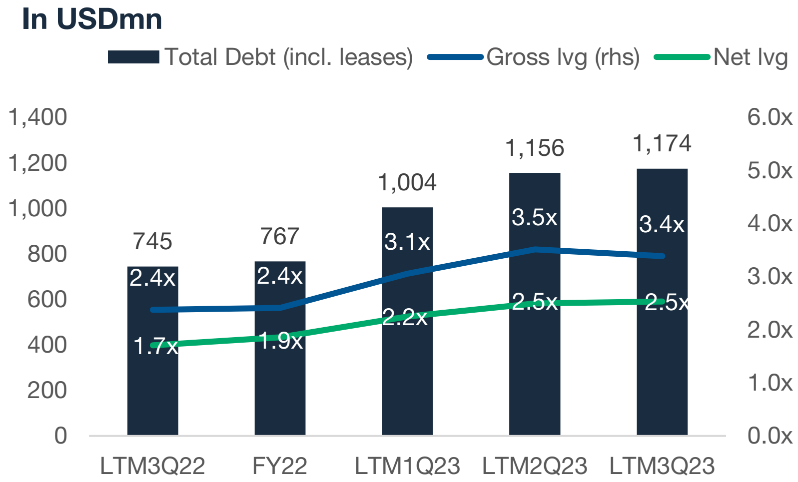
Source: TPCG Research based on the company's reports

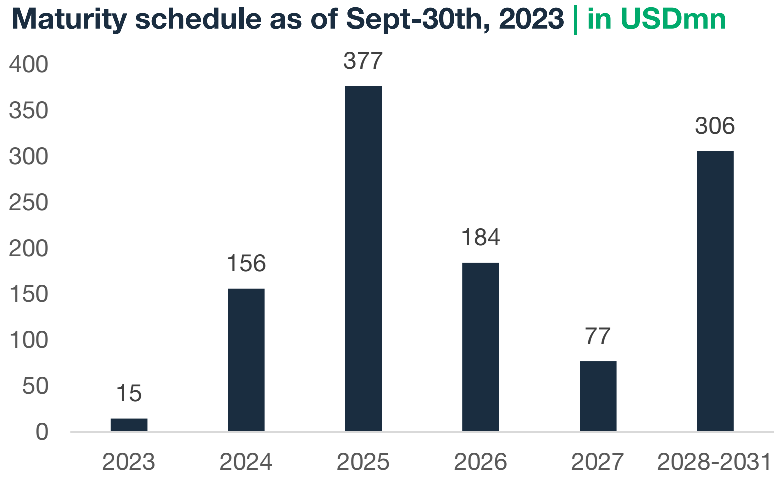
Cia General de Combustibles (CGCSA)

- In 3Q23, CGC' revenues were up by +22% yoy to USD297mn with crude oil sales increasing by +16% yoy to USD172mn. Incentives jumped to USD6.5mn in 3Q23 from USD0.6mn in 3Q22. The Adj. EBITDA grew +18% yoy to USD116mn. The Adj. EBITDA margin improved to 39% from 31% in 2Q23, on the back of lower selling expenses (-2% qoq).
- Oil production was up by +10.9% yoy to 21.8kbbld while natural gas production increased by +7.4% yoy to 38.2kboed. In 3Q23, CGC added 18 operating oil wells totaling 60 wells vs. 24 in 9M22.
- FCF was negative at –USD101mn vs. –USD103mn in 3Q22. The improvement in working capital cash outflows (-USD48mn vs. -USD86mn in 3Q22) offset the higher Capex (USD130mn, +55% yoy).
- As of Sept-30th, 2023, CGC's total debt (incl. leases) was USD1,174mn (+2% qoq) . Cash & Eq. + ST Investments stood at USD297mn (-11% qoq), covering short term debt by 163%. According to our estimates, the company net leverage was flat qoq in LTM3Q23.





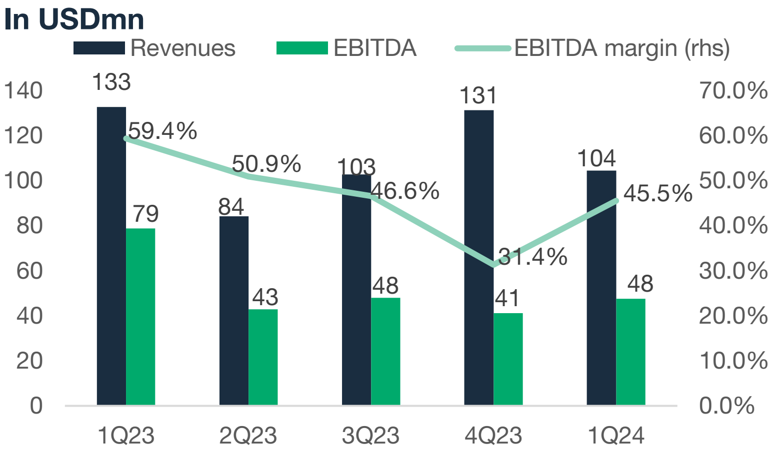


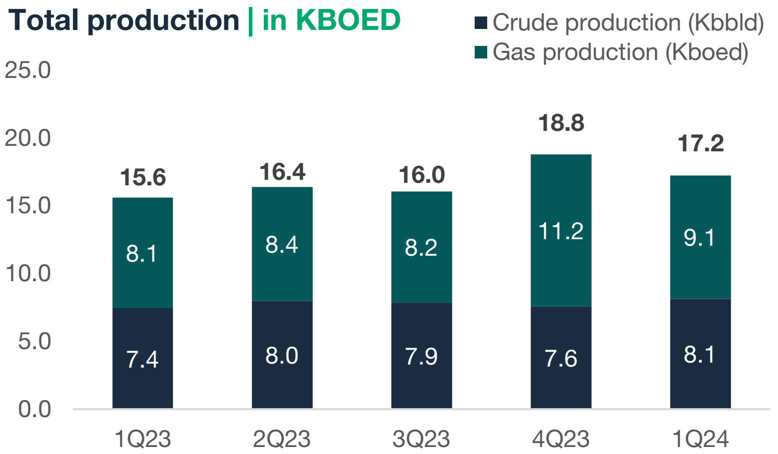


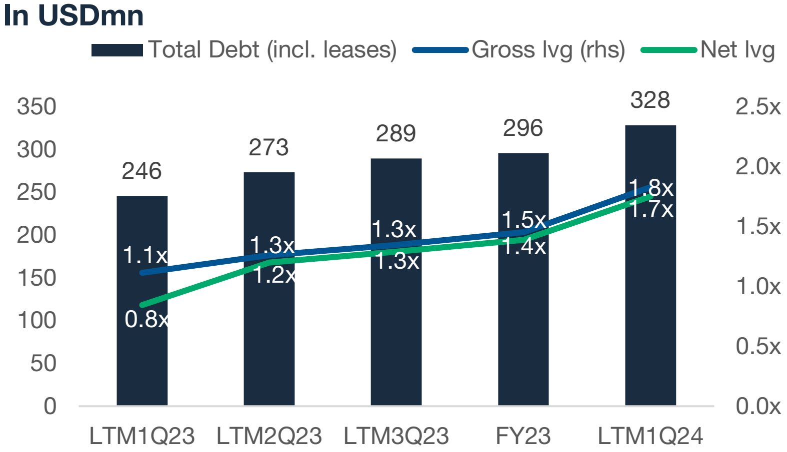
Source: TPCG Research based on the company's reports

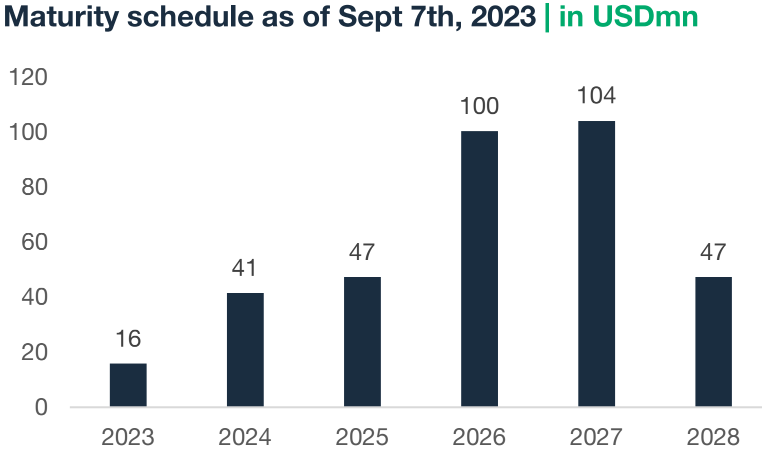
Capex SA (CAPXAR)

- In 1Q24 (May - July 2023), revenues were down 21% yoy to USD104mn, of which 49% came from oil exports, 29% from electricity sales, and 17% from domestic oil sales. Our estimated EBITDA dropped 40% yoy to USD48mn.
- Crude production increased by 9% yoy to 8.1kbbld. Local crude oil sales were down 28% yoy to USD17.9mn while exports were down 31% yoy to USD51mn. Volumes sold in the local market were flat yoy at 622kbbl while the volumes of exports were down by 25% yoy to 256kbbl.
- On July 4th, 2023, Capex SA entered into a farm-out agreement with Trafigura for the development of 4 wells in Agua del Cajon, with the option to add other 12 wells. Trafigura will contribute with 30% of the investment.
- Capex SA 1Q24 FCF was –USD42mn vs –USD26mn in 1Q23. The decline was driven by lower FFO (-47% yoy) and higher working capital requirements. As of July 31st, 2023, Capex SA's LTM1Q24 net leverage was 1.7x. We estimate that the company's total debt outstanding is USD356mn as of Sept-7th, up +8% that at the end of 1Q24.







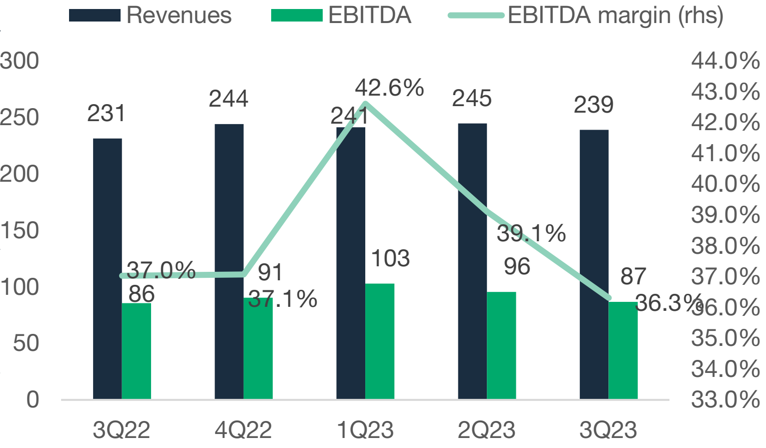


Source: TPCG Research based on the company's reports

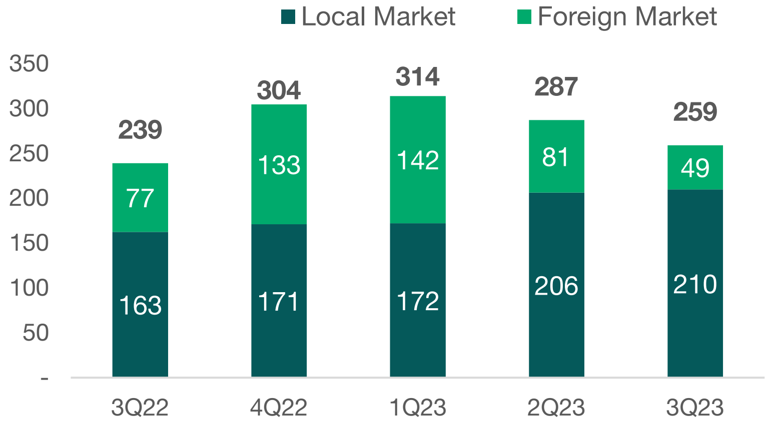
TGS (TRAGAS)

- In 3Q23, TGS estimated revenues were flat at ARS74,592mn. However, they were up by 3.2% yoy to USD239mn in USD terms due to the appreciation of the ARS. EBITDA was down by 2.2% yoy to ARS27,088mn (USD95.7mn, -11.2% yoy), the margin was down to 39% from 45% in 3Q22.
- The liquids business revenues were up by 121% yoy to ARS40,217mn, although they were down 4.2% to USD129mn in USD terms. Liquids volumes sold were up by 8.4% yoy to 259,085 tons, driven by ethane local sales (+127% yoy). Natural gas transportation revenues decreased by 13% yoy to ARS17,498mn (USD56mn), because the tariff increase given to natural gas transportation was below the accumulated inflation. In contrast, other services revenues were up +267% yoy in ARS and +59% yoy in USD, driven by higher natural gas transportation and conditioning services at Vaca Muerta.
- As of Sept-30th, 2023, TGS total debt was up by 7.3% qoq to USD573mn with short-term loans increasing by 181% qoq to USD63mn. However, cash + ST investments was up by +4.8% qoq to USD469mn, covering short term debt by 739%. TGS's LTM3Q23 net leverage was up to 0.3x from 0.2x in LTM2Q23.

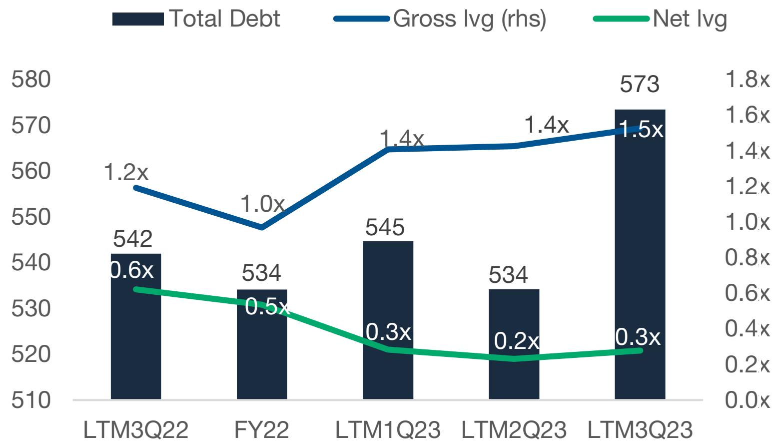
In USDmn



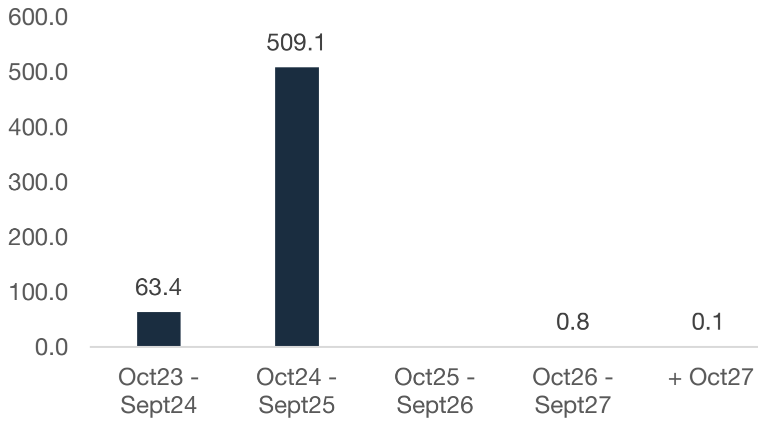
Volumes dispatched | k tons



In USDmn



Maturity schedule as of Sept-30th, 2023 | in USDmn



Source: TPCG Research based on the company's reports

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Retail / Telcos / Real Estate

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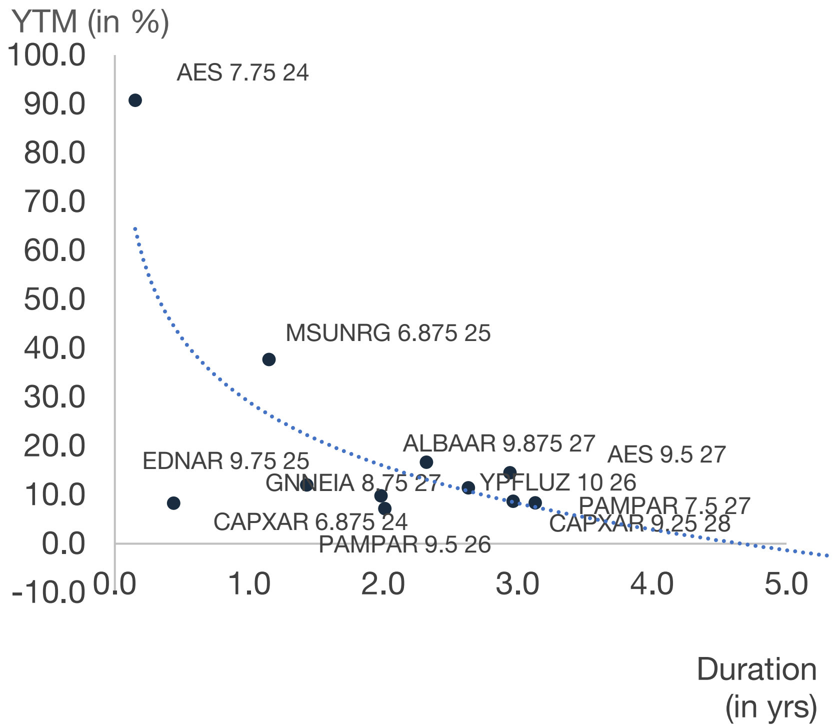
- IRSA IR

Utilities companies' main figures

Summary financials as of 3Q23

	Pampa Energia* PAMPAR	AES Arg AES	YPF Luz YPFLUZ	GEMSA ALBAAR	Genneia GNNEIA	MSU Energy MSUNRG	Capex SA** CAPXAR	Edenor EDNAR
Power generation capacity								
Installed Capacity	5,332MW	2,985MW	3,174MW	1,210MW	1,308MW	750MW	706MW	-
Under construction	+300MW	-	+155MW	+508MW	+315MW	-	-	-
In USDmn								
Revenues	171.0	79.9	131.9	48.5	76.2	47.2	104.5	443.3
Adj. EBITDA	98.1	31.1	100.9	22.7	58.4	40.1	47.6	462.5
Net Income	104.0	(23.8)	1.8	(4.8)	27.3	6.5	1.7	243.6
Gross Margin	43%	22%	52%	36%	64%	78%	46%	16%
ADJ. EBITDA Margin	57%	39%	76%	47%	77%	85%	46%	104%
Capex	53.0	0.9	36.7	5.8	68.2	0.5	37.5	84.7
Free Cash Flow	n.a.	7.7	63.3	(21.5)	(0.5)	23.5	(41.8)	(5.0)
Cash & Cash Eq. + ST Investments	963.9	104.0	181.1	225.8	194.1	39.6	14.0	171.5
ST Debt (incl. leases)	351.9	143.3	131.7	284.9	112.4	127.1	288.4	4.7
Total Debt (incl. leases)	1,640.8	299.1	844.4	1,128.2	820.5	804.4	328.2	119.9
(Cash + ST Investments) / ST Debt	274%	73%	138%	79%	173%	31%	5%	3676%
Gross Leverage (incl. leases)(LTM)	2.3x	1.9x	1.9x	5.8x	3.7x	5.0x	1.8x	n.m.
Net Leverage (incl. leases)(LTM)	1.0x	1.3x	1.7x	5.6x	2.8x	4.8x	1.7x	n.m.

Source: TPCG Research based on the companies' reports, Bloomberg *Pampa Energia's Indebtedness figures at Restricted group level **As of 1Q24

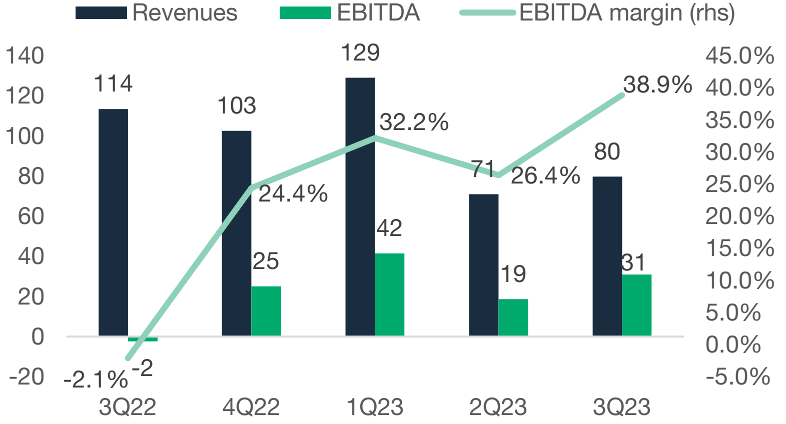


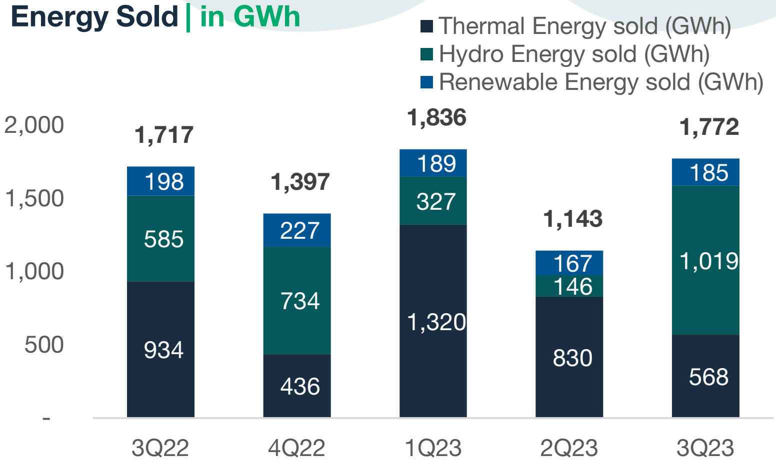
In 3Q23, companies' performance was mixed. Genneia was the outperformer in terms of profitability, with revenues and Adj. EBITDA increasing +9.2% and +8.6% yoy, respectively. Most companies showed weaker results compared to 3Q22 but an improvement vs. 2Q23. Edenor's Adj. EBITDA jumped thanks to the income from the Agreement on the Regulation of Obligations with CAMMESA.

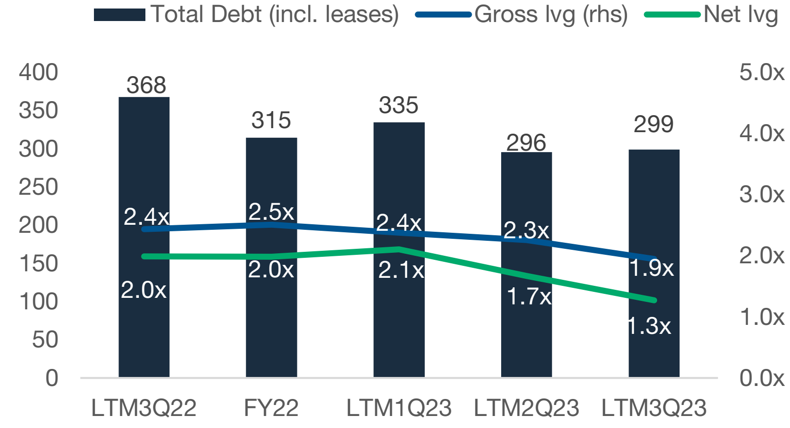
Next year, we expect the new government to push for the new RTI that should have taken place in 2022. However, we expect the increase in tariffs to be gradual. We believe Milei will face a more vulnerable social scenario where social unrest could be around the corner. With this in mind, he may find it difficult to have enough support to hike tariffs. For this reason, we are moderately optimistic about the power generation sector.

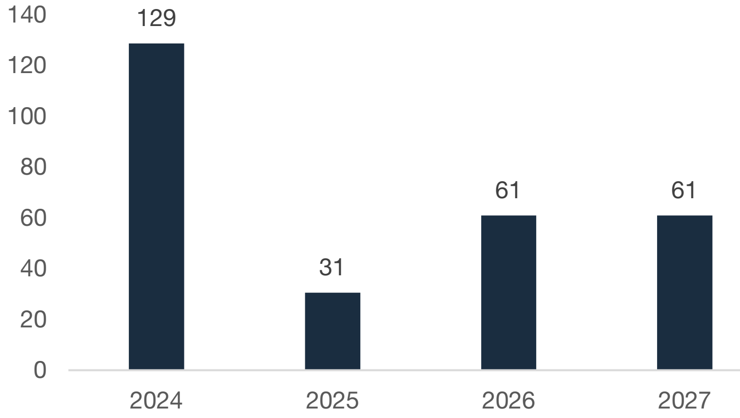
AES Argentina Generacion (AES)

- In 3Q23, AES AG's revenues were down -30% yoy / +12% qoq to USD79.9mn. The Adj. estimated EBITDA was up by 66% yoy to USD31mn, with Opex increasing at a lower pace than revenues.
- AES AG electricity generation was up by 3.2% yoy to 1,772GWh. The increase in hydro generation offset the decline in thermal and wind generation. The San Nicolas and Parana thermal plants' power generation was down by 28% and 47% yoy, respectively.
- FCF was USD7.7mn down from USD13mn in 3Q22, on inventories cash inflows (+USD7.9mn vs. –USD37mn in 3Q22). Capex was down by 58% yoy to USD947mn.
- As of Sept-30th, 2023, AES AG's total debt was up by 1.2% qoq to USD299mn. Cash & equiv. increased by 35% qoq to USD104mn. According to our estimates, AES's net leverage (incl. leases) was 1.3x in LTM3Q23 down from 1.7x in LTM2Q23.





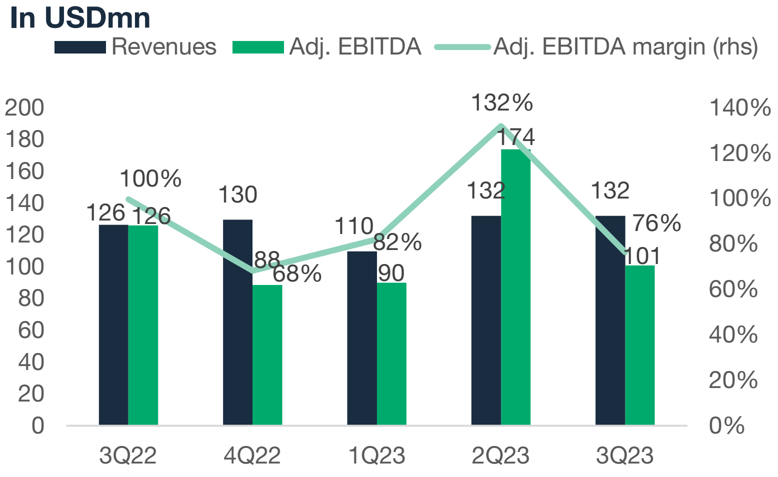


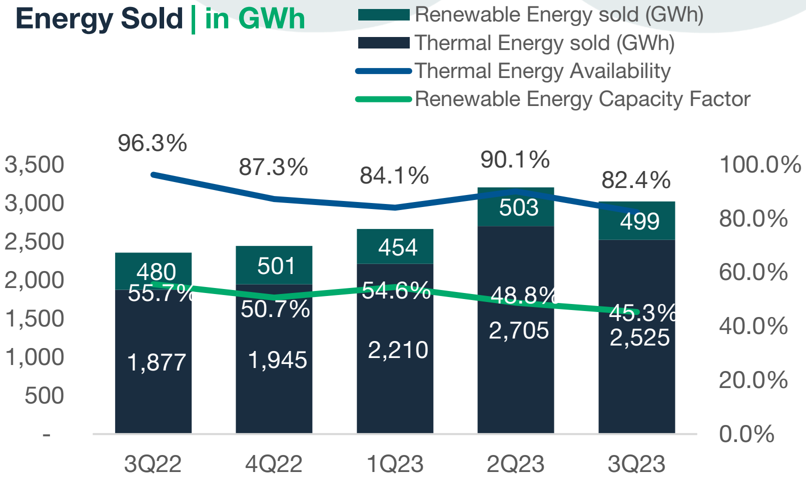


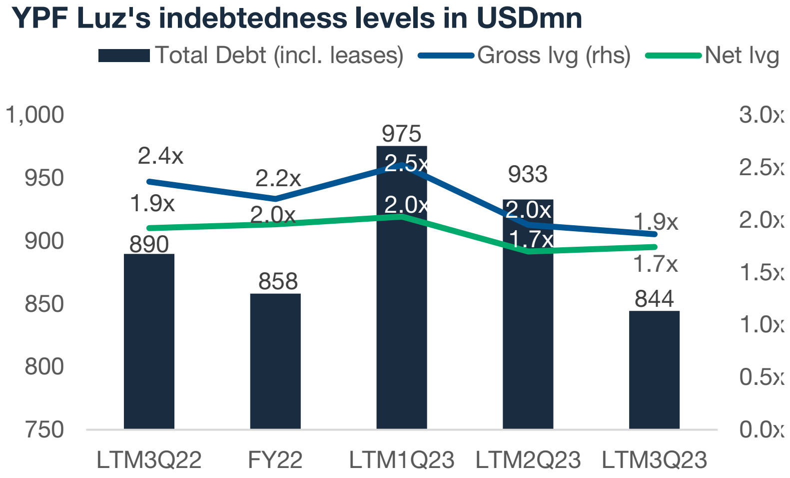
Source: TPCG Research based on the company's reports

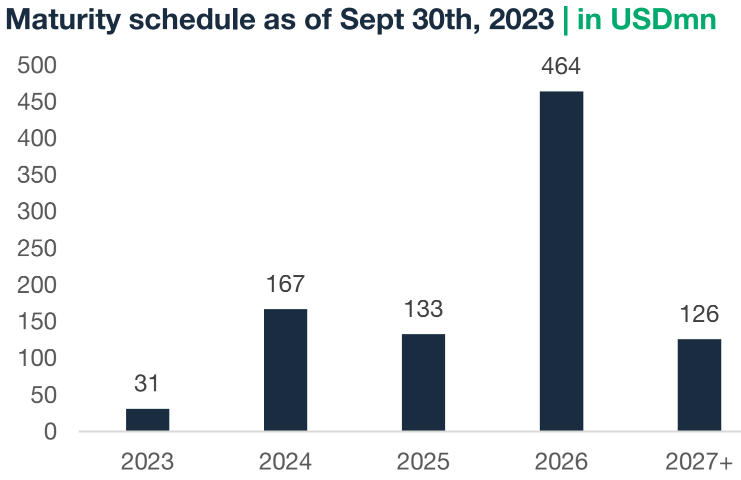
YPF Luz (YPFLUZ)

- In 3Q23, YPF Luz revenues were up by +4.5% yoy to USD132mn, with energy sold increasing by +28.3% yoy to 3,024GWh, mainly due to YPF Luz gained control of CDS. However, energy sales were down 6.1% qoq because there were unexpected outages at the Tucuman complex, La Plata Cogeneration II was out of service for 15 days, and Manantiales Behr wind farm lower capacity factor.
- FCF improved to USD63.3mn from USD22.1mn in 3Q22. This was mainly due to higher FFO (+23% yoy) and lower accounts payable cash outflows (-USD2.0mn vs. –USD17.9mn in 3Q22). Capex increased by +2.3% yoy to USD36.7mn.
- As of September-30th, 2023, YPF Luz reported total debt was down by 9.5% qoq to USD844mn, due to the company fully repaid Series V Notes. Short-term debt increased by 31.6% qoq to USD132mn, because in August 2024 Series XI and IX notes mature. In August 2023, the company issued USD130mn Series XIII notes in the local market, part of the proceeds will finance the General Levalle wind project. Cash & cash eq. was up by 10.2% qoq to USD181mn, covering ST-debt by 138%. YPF Luz's reported net leverage (related to its notes) was flat qoq at 1.7x.





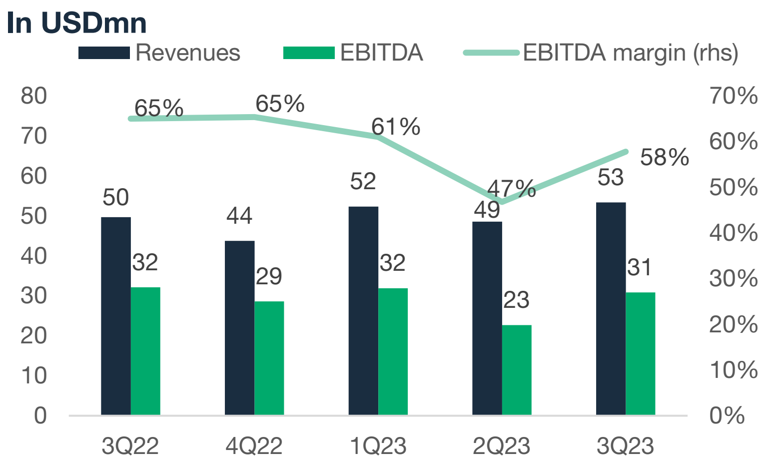


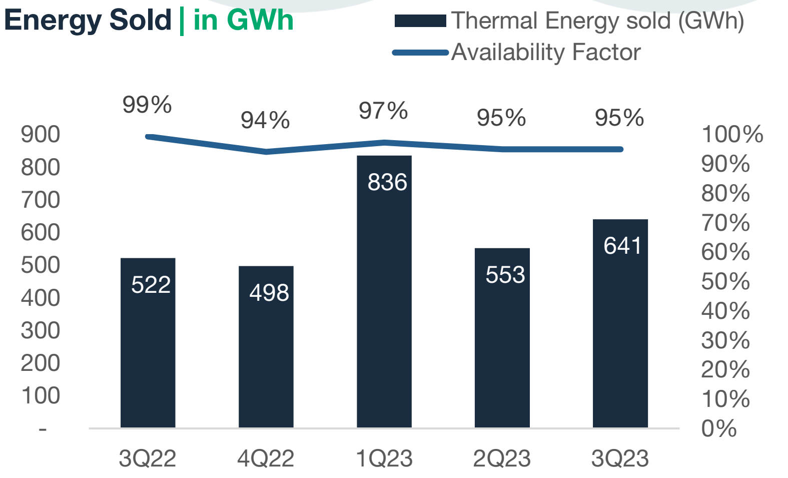


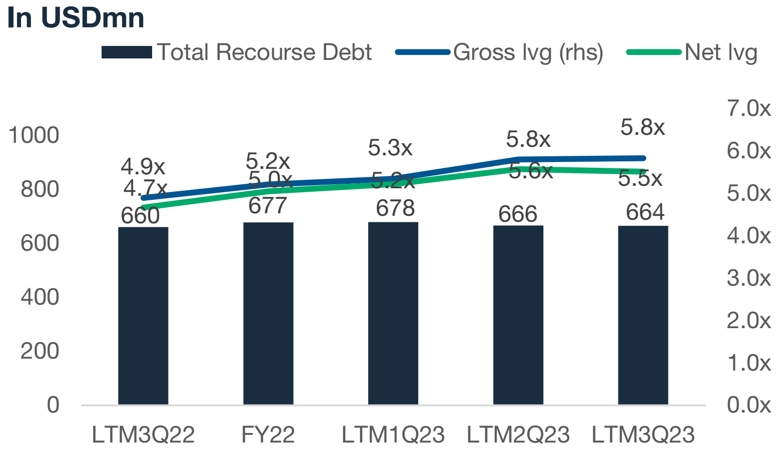
Source: TPCG Research based on the company's reports

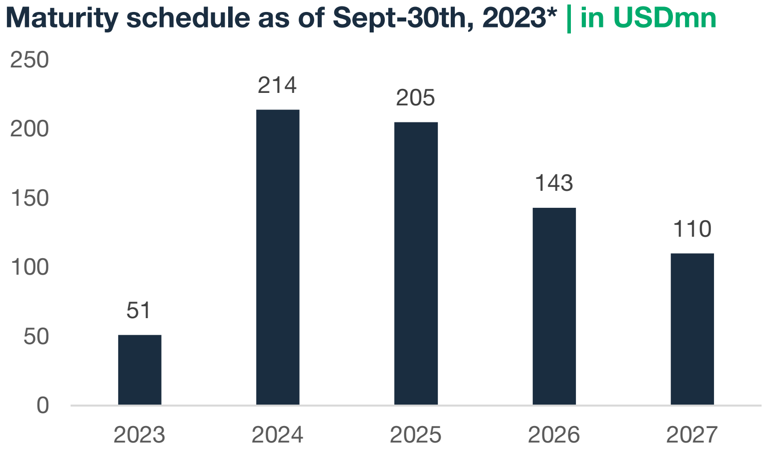
Generacion Mediterranea (ALBAAR)

- In 3Q23, GEMSA's revenues were up 53% yoy USD53.3mn with total energy sold increasing by 23% yoy to 641GWh. Sales from Energia Base were down by 8% yoy to USD5.1mn. Energia Plus sales increased by +23% yoy to USD17mn due to the increase in energy dispatch. In contrast, sales from PPAs were up by 4% yoy to USD16.3mn.
- Adj. EBITDA was down by 4% yoy to USD30.8mn. The Adj. EBITDA margin came down to 58% from 65% in 3Q22. This was mainly due to the increase in gas and diesel costs for Energia Plus higher dispatch.
- FCF turned positive to USD1.1mn from –USD8.0mn in 3Q22 mainly explained by lower other receivable cash outflows (-USD1.1mn vs. -USD4.8mn in 3Q22). In addition, Capex was down by -31% yoy to USD12.5mn.
- As of Sept-30th, 2023, GEMSA's total debt was up by +1.5% qoq to USD1,146mn, while the recourse debt was flat qoq at USD664mn. Cash & equiv. + ST investments decreased by 27% qoq to USD164mn, covering short-term debt by 68%. GEMSA's net leverage (considering recourse debt) decreased to 5.5x from 5.6x in LTM2Q23.







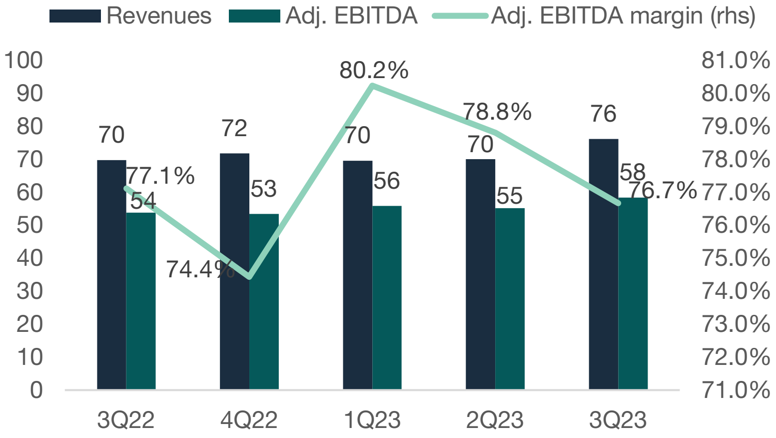


*It only considers recourse debt. Source: TPCG Research based on the company's reports

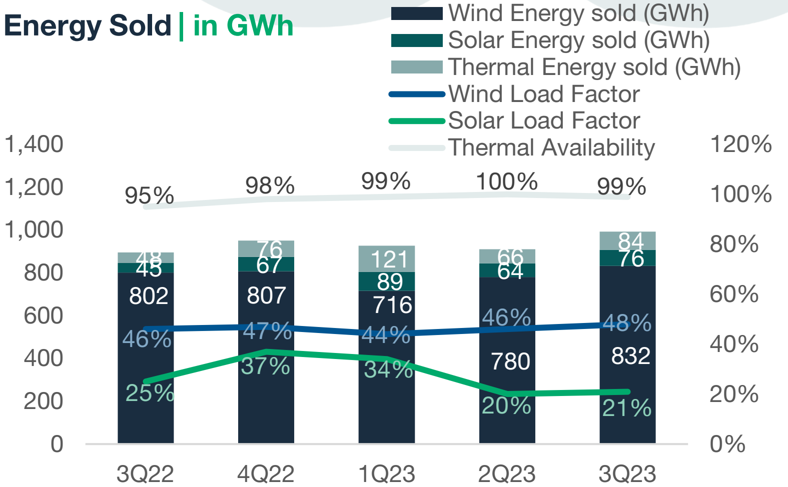
Genneia (GNNEIA)

- In 3Q23, Genneia's revenues were USD76mn (+9.2% yoy). By segment, revenues from electric power generation from renewable sources, which accounted for 83% of total revenues, were up by +12.5% yoy to USD63mn. Revenues from Electric power generation from conventional sources increased by +2.7% yoy to USD11.3mn.
- Genneia's Adj. EBITDA was up +8.6% yoy to USD58.4mn. The margin was flat qoq at 77% in 3Q23.
- Genneia's FCF was neutral at –USD0.5mn down from USD17.4mn in 3Q22, due to trade receivable cash inflows of USD3.5mn vs. –USD3.1mn in 3Q22. Capex was up by +135% yoy to USD68.2mn.
- As of Sept-30th, 2023, Genneia's total debt (incl. leases) was up +6.5% qoq to USD821mn. Cash & Equiv. + ST investments increased by +20.3% qoq to USD194.1mn, covering short term maturities by 173%. Genneia's net leverage was flat qoq at 2.8x in LTM3Q23.

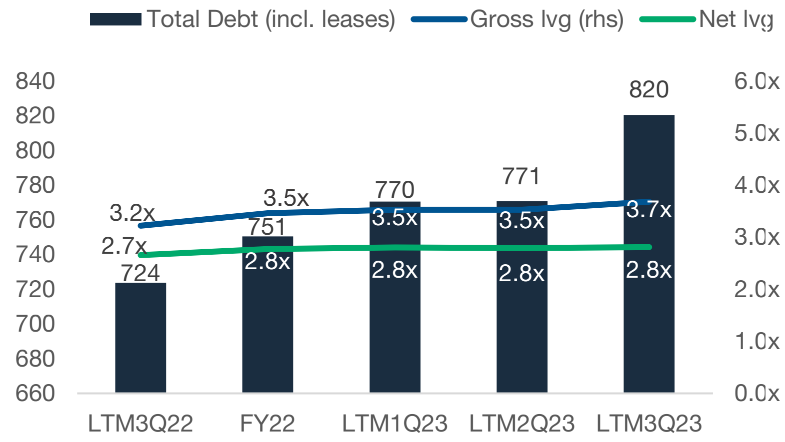
In USDmn



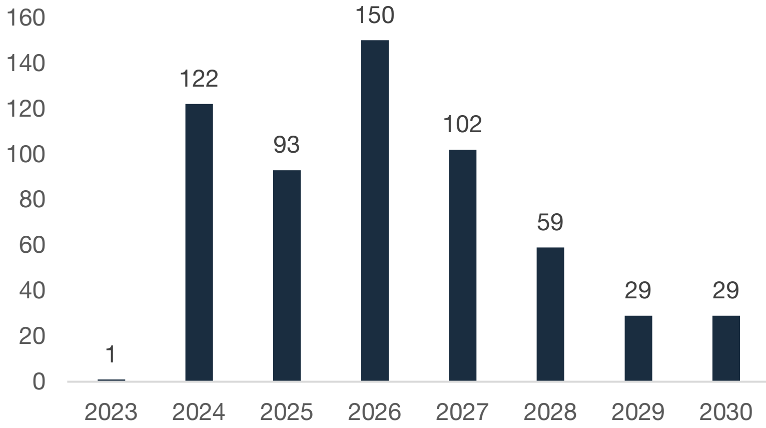
Energy Sold | in GWh



In USDmn



Maturity schedule as of Sept-30th, 2023 | in USDmn

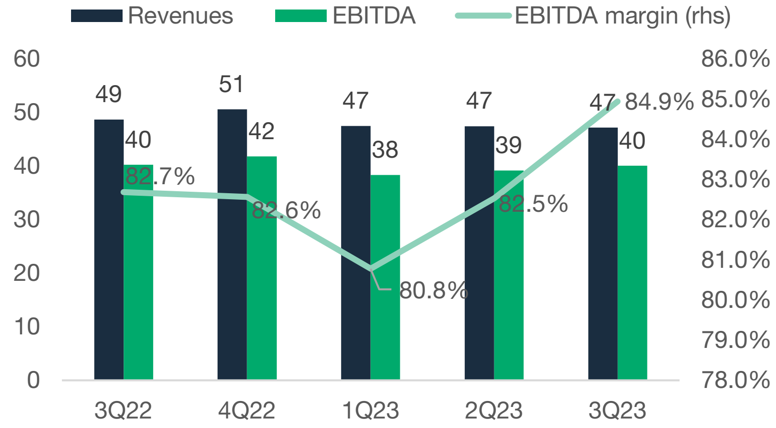


Source: TPCG Research based on the company's reports

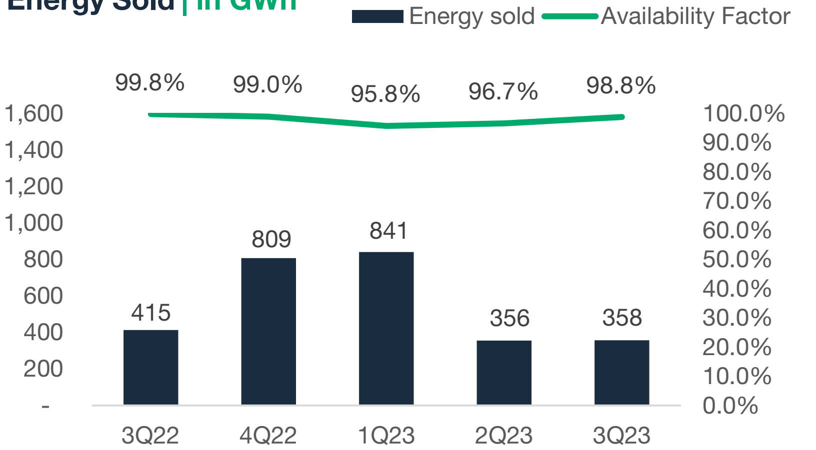
MSU Energy (MSUNRG)

- In 3Q23, MSU Energy's revenues and EBITDA were down by -3.1% and -0.5% yoy to USD47.2mn and USD40.1mn, respectively. Even so, the EBITDA margin improved to 85% from 83% in 3Q22.
- In 3Q23, MSU Energy thermal energy sold was down by 14% yoy to 358GWh.
- FCF doubled to USD23.5mn from USD12.0mn in 3Q22, driven by tax assets cash inflows of USD2.7mn and FX differences. Capex was down by 36% yoy to USD0.5mn in 3Q23.
- As of Sept-30th, 2023, MSU Energy's total debt was down 4.0% qoq at USD804mn. Cash & equiv. was down by 19% qoq to USD40mn, it only covered ST debt by 31%. MSU Energy's net leverage was down to 4.8x from 4.9x in LTM2Q23.

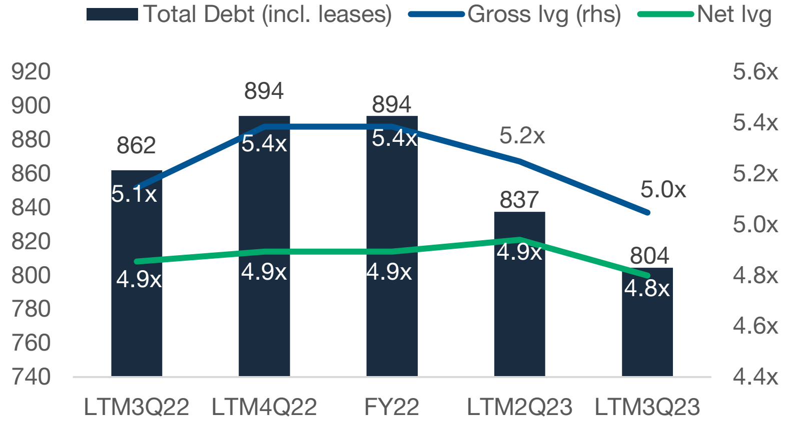
In USDmn



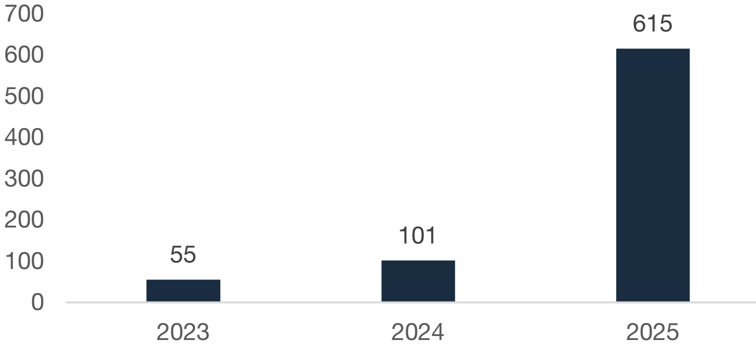
Energy Sold | in GWh



In USDmn



Maturity schedule as of Sept-30th, 2023 | in USDmn

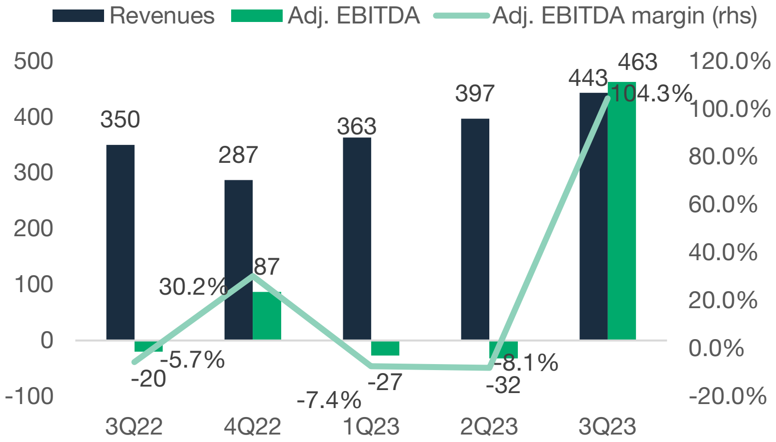


Source: TPCG Research based on the company's reports

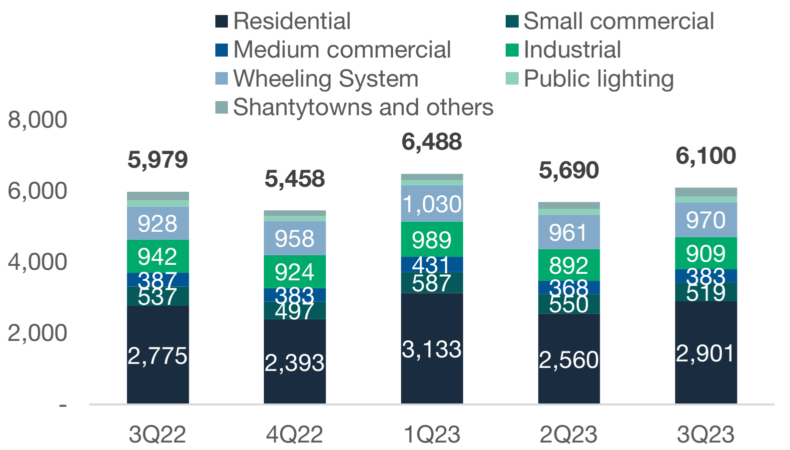
Edenor (EDNAR)

- Edenor is the largest electricity distributor in Argentina. The company has the exclusive right to distribute electricity in the north-western part of Greater Buenos Aires and the northern part of the City of Buenos Aires until 2087.
- In 3Q23, Edenor's revenues were up by 27% yoy to USD443mn. It was driven by the increase in energy prices due to seasonal adjustments and the price adjustments of the Value Added Distribution (VAD). Volumes sold were up by 2.0% yoy to 6,100GWh, explained by the higher temperature conditions. The Adj. EBITDA was USD462.5mn up from –USD19.9mn because of the Agreement on the Regulation of Obligations with CAMMESA for USD413mn.
- FCF was negative at –USD5mn vs. -USD2.9mn in 3Q22, with trade payable cash outflows of -USD58mn vs. +USD102mn in 3Q22 and Capex increasing by 42% yoy to USD85mn.
- As of Sept-30th, 2023, Edenor's total debt was up by 3.3% qoq to USD120mn. Cash & equiv. increased by 4.6% qoq to USD172mn, more than covering ST debt of USD4.7mn. The net debt was negative at –USD51.6mn.

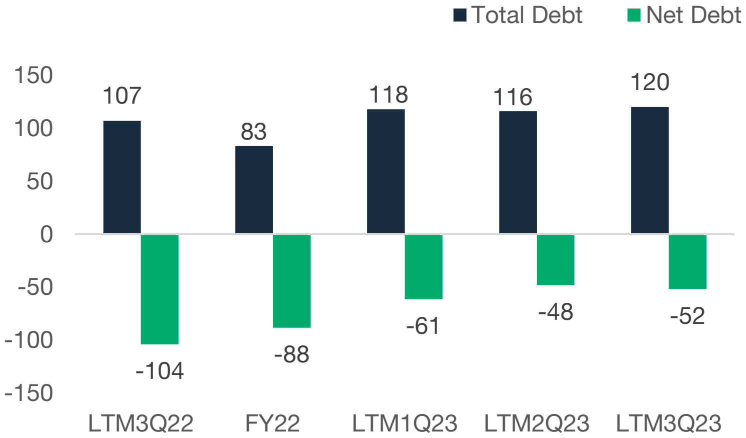
In USDmn



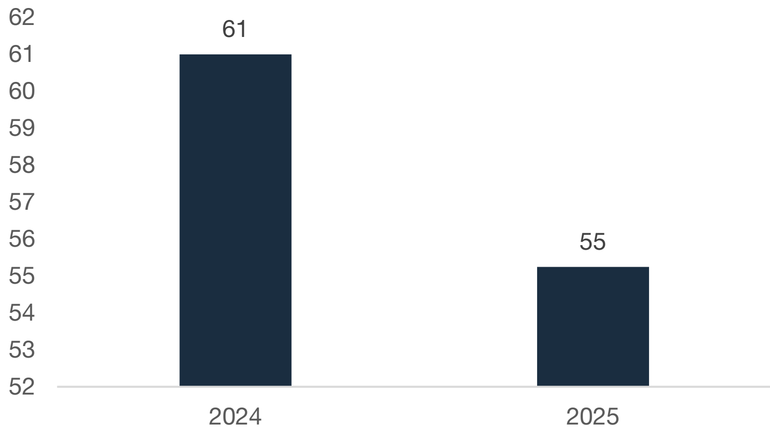
Sales of electricity | in GWh



In USDmn



Maturity schedule as of Sept-30th, 2023 | in USDmn



Source: TPCG Research based on the company's reports

Agenda

O&G

- YPF SA
- Pan American Energy
- Pampa Energia
- Cia. General de Combustibles
- Capex SA
- TGS

Utilities

- AES Argentina Generación
- YPF Luz
- Generación Mediterranea
- Genneia
- MSU Energy
- Edenor

Banks

- Banco Macro
- Banco Galicia

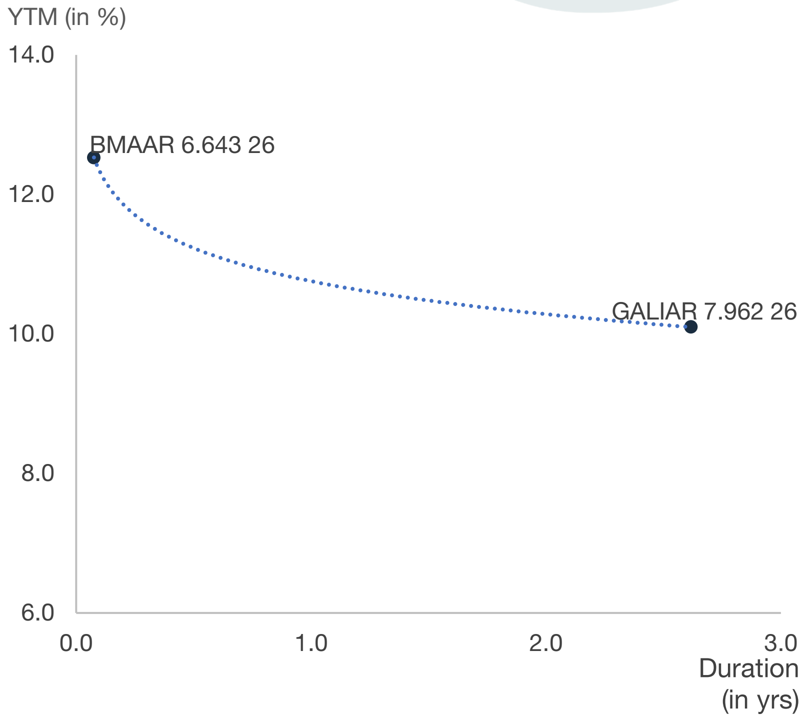
Retail / Telcos / Real Estate

- Telecom
- Arcor
- Aeropuertos Argentina 2000
- IRSA IR

Banks' main figures

Summary financials as of 3Q23.

	Galicia GGAL / GALIAR	Macro BMA / BMAAR
In ARSmn		
Net Operating Income	**433,677**	**356,459**
Net Income	**51,131**	**7,511**
Net financial margin	34.0%	18.8%
Efficiency ratio (C/I)	64.1%	22.4%
Return on Avg. Equity (ROAE)	19.8%	3.0%
Total Assets	**5,437,179**	**3,708,274**
Loans (net)	**1,716,204**	**1,153,412**
Deposits	**3,746,543**	**2,009,155**
Total Shareholders' Equity	**1,040,541**	**1,007,735**
NPLs / Gross Loans	2.8%	1.4%
Reserves / NPLs	125%	134%
Loans (net) / Deposits	45.8%	57.4%
Liquid Assets / Deposits	110.2%	99.0%
Leverage	5.2x	3.7x
Tier I	24.1%	34.8%
CAR	25.1%	37.9%



Source: TPCG Research based on the banks' reports, Bloomberg

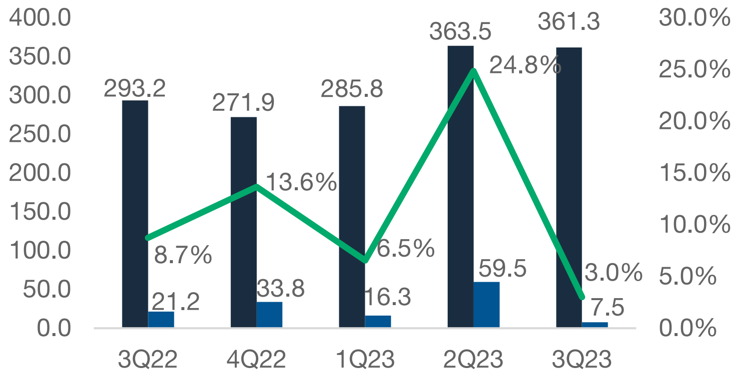
In 3Q23, Banks reduced their Leliqs holdings while increasing repos with the Central Bank. Deposits decreased, partly because banks rejected some deposits from big corporates and mutual funds. Deposits in USD decreased at a lower rate than in ARS, they were down by 2% qoq. Loans continue shrinking in real terms. As a result, banks asset quality and capital buffers improved.

We remain pessimistic about the banking industry considering the uncertainties regarding Leliqs' fate and the new government's monetary policy, which prolong the current negative dynamic.

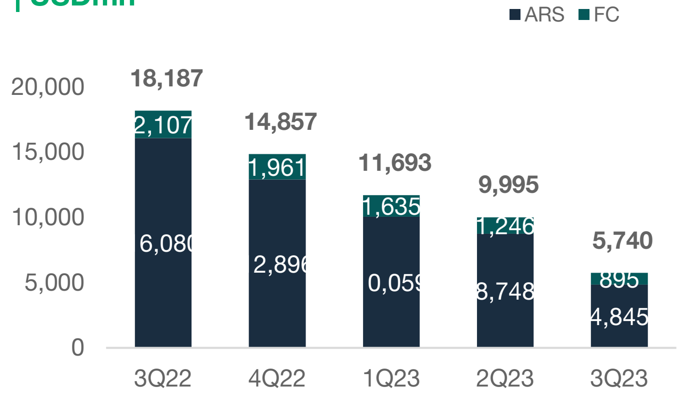
Banco Macro (BMAAR)

- Banco Macro is the 5th largest bank in Argentina, in terms of assets. The bank accounts for stable low-cost funding provided by the payroll accounts from 4 provincial governments and SMEs. The bank recently acquired Banco Itau Argentina for USD50mn.
- In 3Q23, the net operating income was flat qoq at ARS356,459mn (USD1,018mn). NII was down by 23% qoq to ARS112,692mn (USD322mn), with interest expense on time deposits increasing more than interest income from government securities. Financial instruments at FVTPL showed a loss of ARS36,358mn (-USD104mn). The net income was down 87% qoq to ARS7,511mn (USD21mn).
- Banco Macro's exposure to public sector assets decreased 24% qoq to ARS1,349,128mn (USD3,855mn), driven by the Leliqs position shrinking by 49% qoq to ARS422,952mn (USD1,208mn). Private sector loans and other financing were down by 4% qoq to ARS1,153,412mn (USD3,295mn). The NPLs ratio was almost flat going to 1.39% from 1.37% in 2Q23.
- Banco Macro's Liquid assets to total deposits stood at 99%, +4pp more than in 2Q23.
- Banco Macro's Tier I and CAR at 34.8% and 37.9%, respectively.

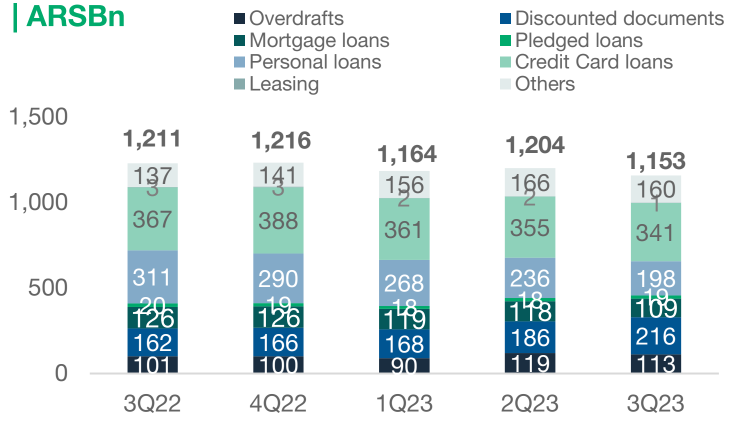
Pre-provision income & Net income in ARSBn | ROE in %



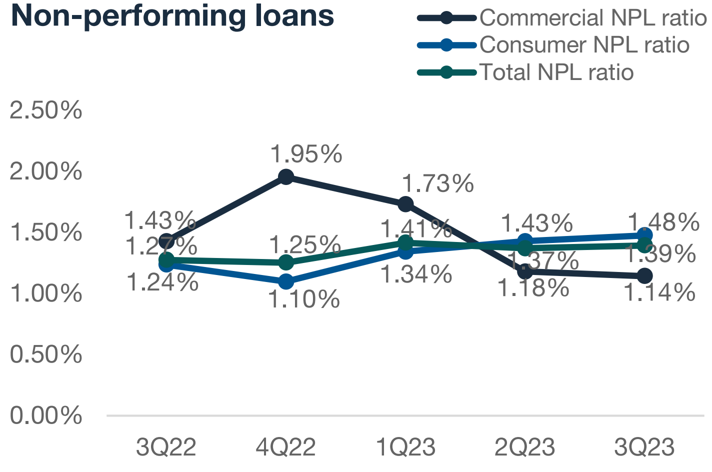
Deposits breakdown by currency | USDmn



Total loan portfolio to the private sector | ARSBn



Non-performing loans



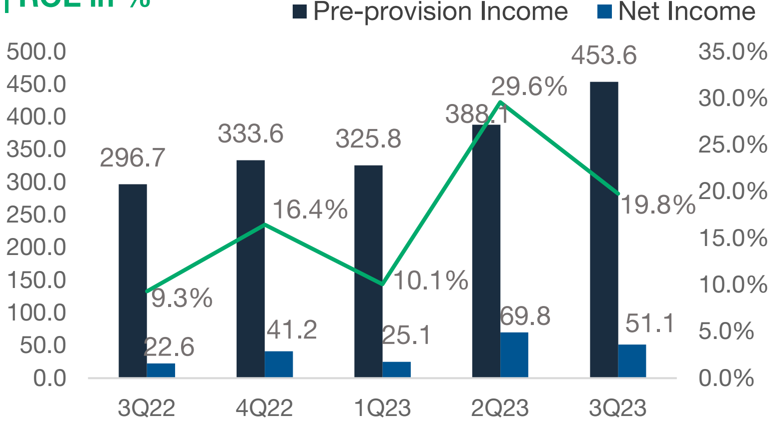
Source: TPCG Research based on the company's reports

TPCG

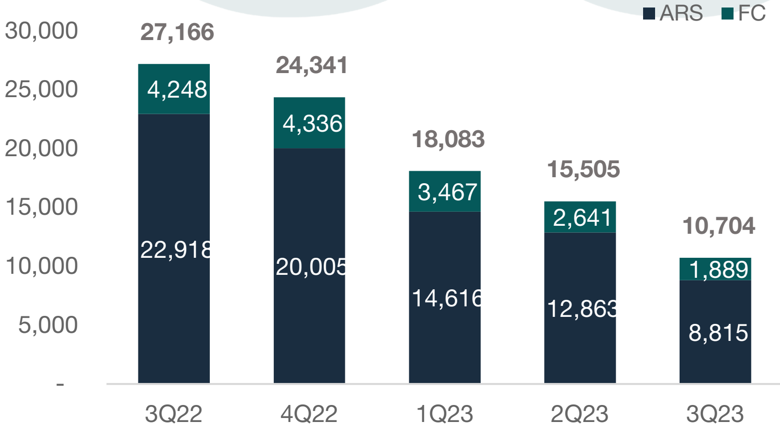
Banco Galicia (GALIAR)

- Founded in 1905, Banco Galicia is the second largest bank in Argentina regarding assets, with a market share of 8.9%. The bank owns 305 branches.
- In 3Q23, Banco Galicia's net operating income was up by +18% qoq to ARS433,677mn (USD1,239mn). The financial margin improved to 34.0% from 28.0% in 2Q23. The NII increased +14% qoq to ARS253,200mn (USD723mn). The C/I ratio was up to 64.06% from 52.0% in 2Q23. ROE was down to 19.8% from 29.6% in 2Q23.
- Banco Galicia's net position in government securities was down by 6% qoq to ARS2,128,365mn (USD6,081mn). Private sector loans decreased by 9% qoq to ARS1,751,284mn (USD5,004mn). The NPLs ratio was down qoq to 2.79% from 2.88% in 2Q23.
- Banco Galicia's LDR was 45.8% down from 47.1%, in 2Q23. Deposits decreased 6% qoq to ARS3,746,543mn (USD10,704mn), deposits in ARS went down 7% qoq while deposits in USD were down by 2% qoq. Liquid assets to total deposits was 55.15%.
- The Tier I ratio was 24.11% while CAR was 25.05%.

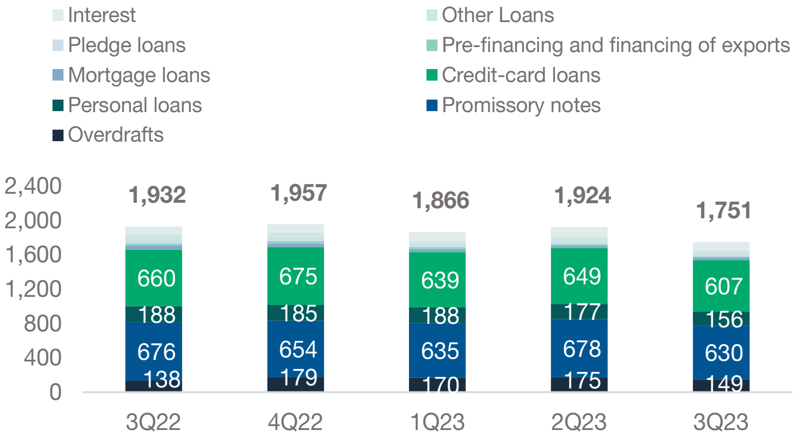
Pre-provision income & Net income in ARSBn | ROE in %



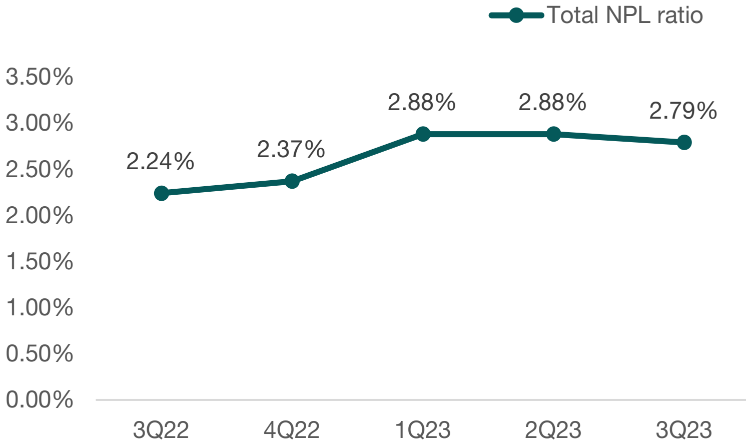
Deposits breakdown by currency | USDmn



Total loan portfolio | ARSBn



Non-performing loans



Source: TPCG Research based on the company's reports

Agenda

O&G

- YPF SA
- Pan American Energy
- Pampa Energia
- Cia. General de Combustibles
- Capex SA
- TGS

Utilities

- AES Argentina Generación
- YPF Luz
- Generación Mediterranea
- Genneia
- MSU Energy
- Edenor

Banks

- Banco Macro
- Banco Galicia
- Banco Hipotecario

Retail / Telcos / Real Estate

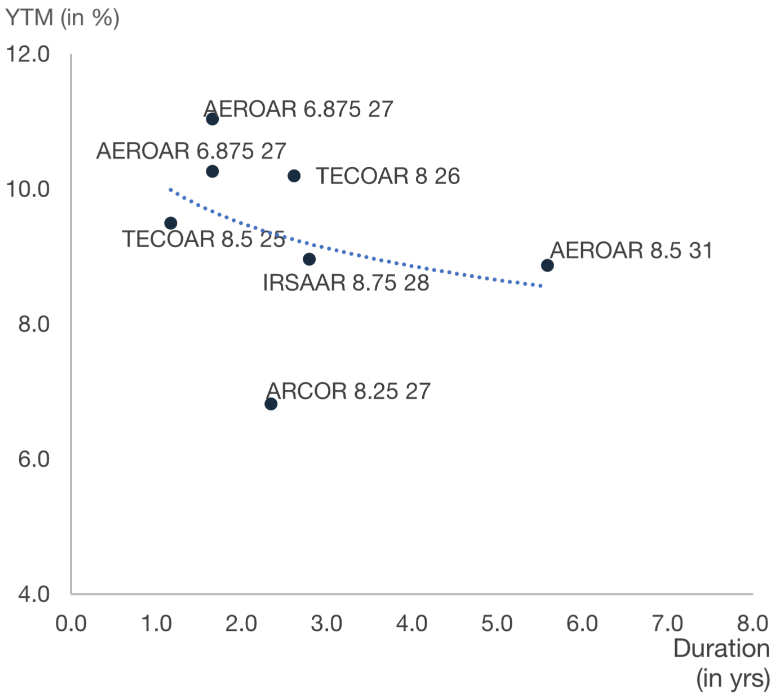
- Telecom
- Arcor
- Aeropuertos Argentina 2000
- IRSA IR

Retail / Telcos / Real Estate main figures

Summary financials as of 3Q23

	Telecom TECOAR	Arcor ARCOR	AA 2000 AEROAR	IRSA IR IRSAAR
In USDmn	3Q23			1Q24
Revenues	**953**	**940**	**210**	**88**
EBITDA	**284**	**105**	**90**	**57**
Net Income	**92**	**21**	**32**	**232**
Gross Margin	-	29.6%	41.1%	67.5%
EBITDA Margin	29.8%	11.1%	42.7%	65.4%
Capex	**(167)**	**(19)**	**(34)**	**(5)**
Free Cash Flow	**67**	**28**	**49**	**35**
Cash & Cash Eq. + ST Investments	**395**	**200**	**188**	**205**
ST Debt (incl. leases)	**868**	**325**	**32**	**91**
Total Debt (incl. leases)	**2,790**	**788**	**686**	**350**
(Cash + ST Investments) / ST Debt	45%	62%	588%	226%
Gross Leverage (incl. leases) (LTM)	2.6x	1.5x	2.1x	2.4x
Net Leverage (incl. leases) (LTM)	2.2x	1.1x	1.6x	1.0x

Source: TPCG Research based on the companies' reports, Bloomberg

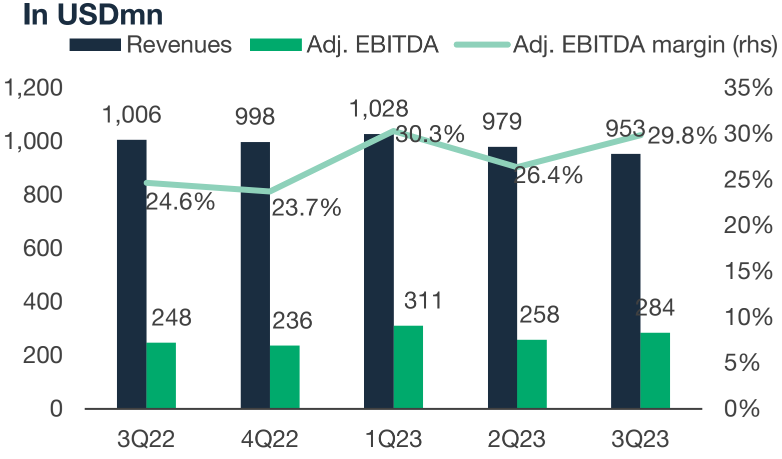


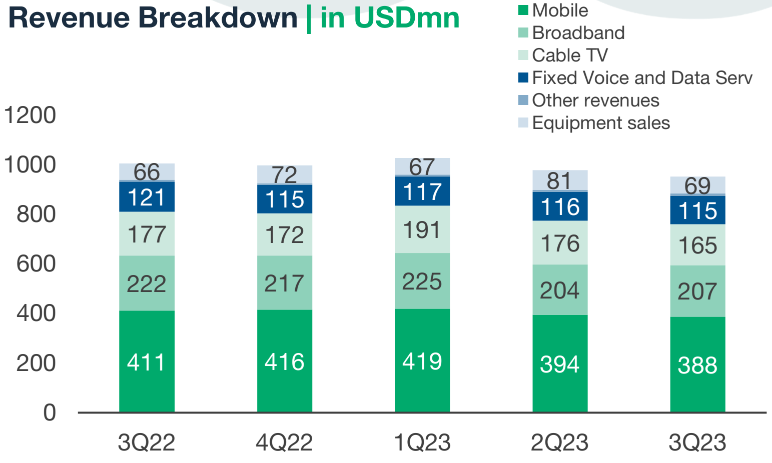
We expect IRSA and AA2000 to report a strong 4Q23, driven by the rise in the Income Tax floor as of October salaries, which should have boosted shopping mall sales and flight tickets. In contrast, we expect Telecom's revenues to continue on the decline, as the company did not increase much mobile ARPU in 3Q23 to avoid losing market share. ARCOR's revenues have deteriorated in Argentina, while its revenues have improved in international markets, like Brazil.

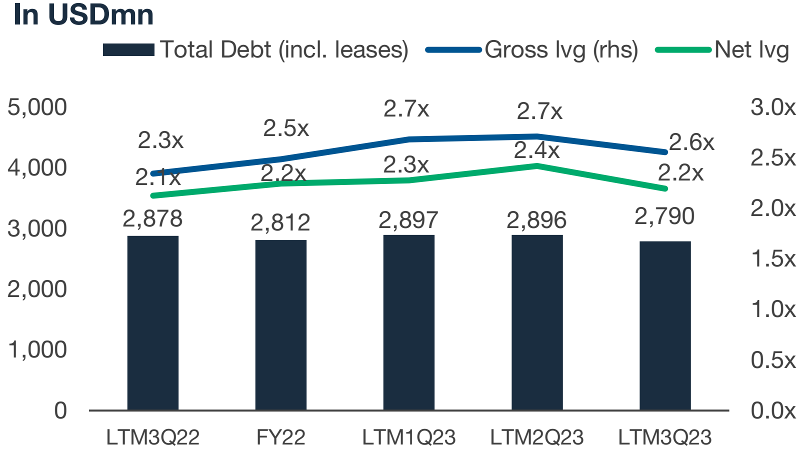
In terms of indebtedness, Telecom shows the highest net leverage because of the gradual slide in its EBITDA. IRSA's net leverage remained improving despite being very active in the local market. So far, IRSA issued 3 hard dollar bonds for a total of USD115mn, with coupons ranging from 5-8%, all maturing in 2025. Arcor also issued a 2-year tenor hard dollar bond of USD77mn with a 3.5% coupon. In terms of liquidity, AA2000 showed the strongest level.

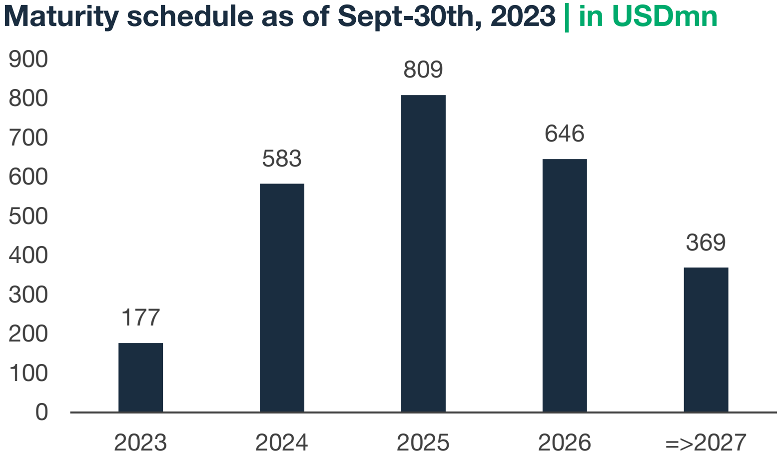
Telecom Argentina (TECOAR)

- In 3Q23 total revenues fell by 5.6% yoy / 1.6% qoq to ARS333,403mn (USD953mn) given that ARPU grew below inflation in all segments. The other side of the coin of mobile clients growing by 4% yoy, was ARPU lagging by 34pp yoy. The Adj. EBITDA improved by +14% yoy / +11% qoq to ARS99,485mn (USD284mn), explained by employee benefit expenses and severance payments decreasing by 19% yoy. Programming and content costs were down by 16% yoy.
- FCF remained positive at USD67mn (ARS110,299mn) +247% yoy, explained by higher FFO (+16% yoy), lower taxes paid (-4% yoy), trade payable cash inflows of USD75mn which helped to offset the 7% yoy increase in Capex of USD167mn.
- As of Sept-30th, 2023, cash & equivalents increased 26% qoq to USD395mn. However, it only covered short-term debt (incl. leases) of USD868mn by 45%. Total debt was down by 3.6% qoq USD2,790mn. The LTM3Q23 net leverage (incl. leases) was 2.2x, down from 2.4x in LTM2Q23.
- On October, Telecom awarded Lot 2 (Band 3,400-3,500 MHz) in the 5G Spectrum auction, for which it have to pay USD350mn. To finance it, the company obtained a USD120mn loan from IDB.







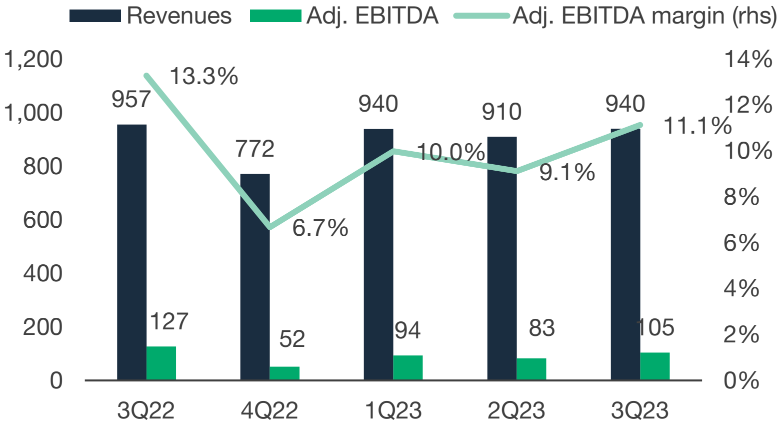


Source: TPCG Research based on the company's reports

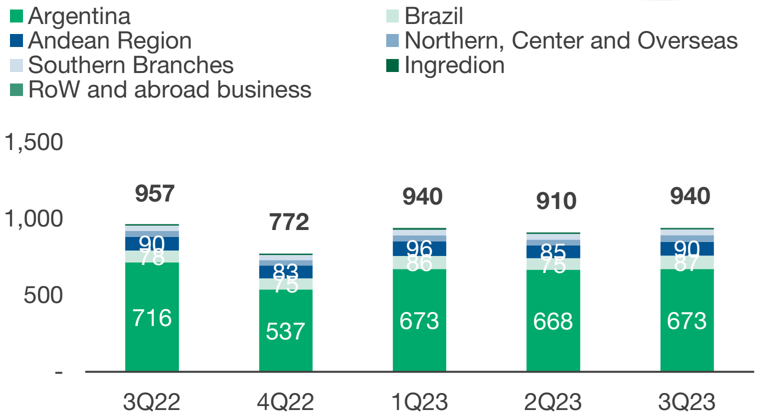
Arcor (ARCOR)

- In 3Q23, total sales dropped by 2% yoy to USD940mn, driven by lower revenues from the packaging business in Argentina and the Andean region. In 3Q23, Argentina accounted for 72% of total revenues, with sales of USD673mn (-6% yoy). Revenues from Brazil improved to USD87mn, up +12% yoy, with cookies' sales increasing by 15% yoy to USD19mn. The Adj. EBITDA went down by 18% yoy to USD104.7mn, because of lower revenues and higher wages, electricity, gas and commercial expenses. As a consequence, the Adj. EBITDA margin declined to 11.1% from 13.3% in 3Q22.
- The FCF remained positive at USD27.6mn, although it was down from USD68.3mn in 3Q22 on lower FFO (-20% yoy). In 3Q23, change in WK improved to USD45mn from USD24.9mn in 3Q22, on the back of lower trade receivable cash outflows (-25% yoy). Capex increased +10% yoy to USD19mn.
- The cash & eq. + ST investments increased +3% qoq to USD200mn. However, it was not enough to cover ST debt of USD325mn. Total debt decreased by 4% qoq to USD788mn. The net leverage position closed at 1.1x, down from 1.5x in LTM2Q23.

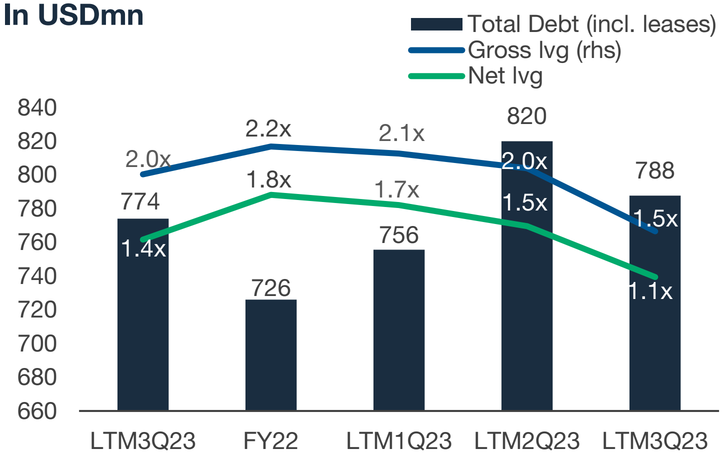
In USDmn



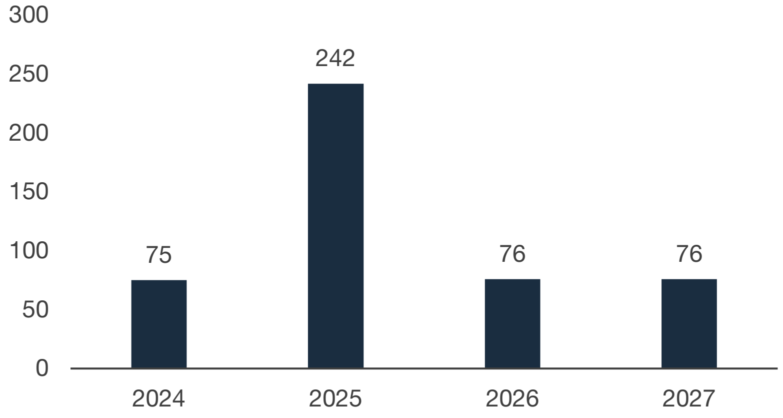
Revenue breakdown | USDmn



In USDmn



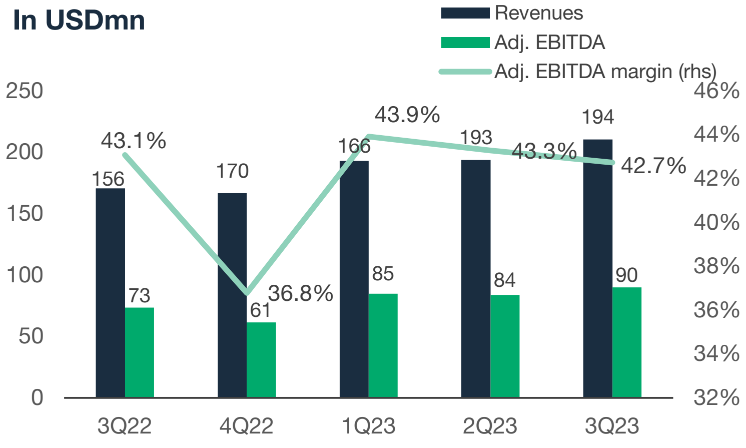
Maturity schedule (Ex. Loans) | in USDmn



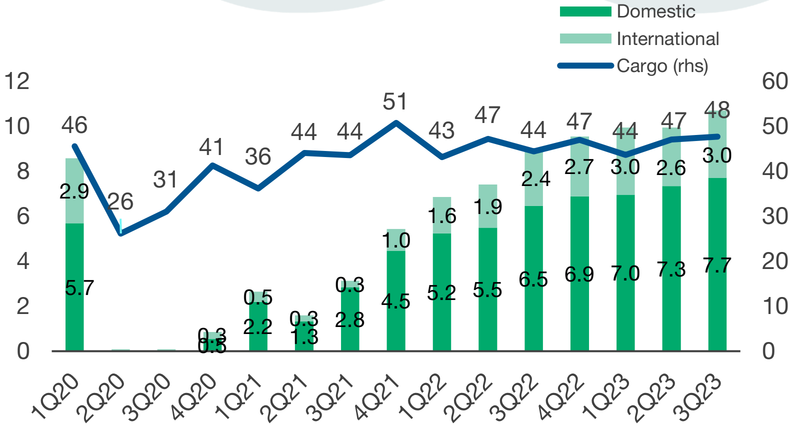
Source: TPCG Research based on the company's reports

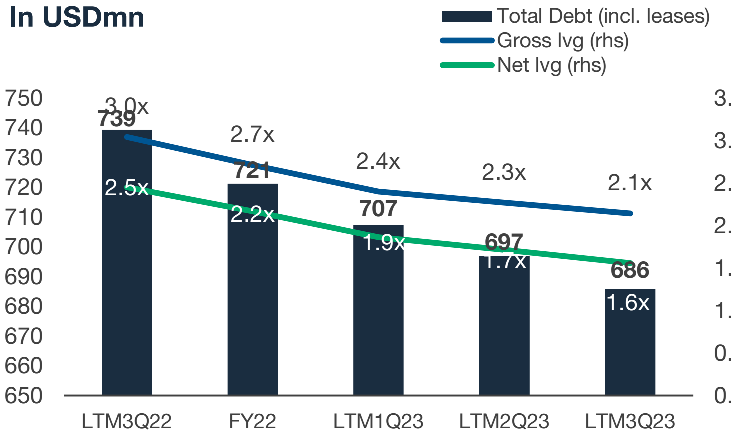
Aeropuertos Argentina 2000 (AEROAR)

- In 3Q23 total sales grew by 23%yoy to USD210mn, mainly driven by aircraft landing charges. Total PAX grew by +25% yoy / +8% qoq to 11.1mn, standing just 3% below 3Q19 levels. Domestic passengers accounted for 69% of total PAX, while international passengers 27%. Domestic passengers increased +26% yoy / +5% qoq. International passengers were up by +23% yoy / +16% qoq. Cargo volume increased +97% yoy / +1% qoq to 47.7k tons.
- The Adj. EBITDA increased +23% yoy to USD90mn, with construction COGs decreasing 19% yoy. The Adj. EBITDA margin was almost flat at 43%.
- The FCF remained positive at USD49mn, improving from USD11mn in 2Q23, driven by higher trade receivable cash inflows (USD20mn vs. USD8mn in 2Q23 and USD14mn in 3Q22) and lower Capex (-71% yoy/-24% qoq, USD34mn).
- The cash & eq. was up by +31% qoq to USD188mn, comfortably covering ST debt by 5.9x. Total debt closed at USD686mn, decreasing 2% qoq. The net leverage was 1.6x, down from 1.7x in LTM2Q23.

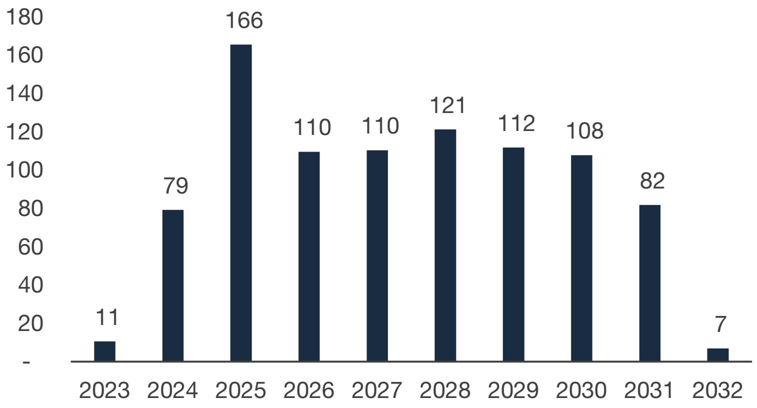


Operating Figures | PAX mn & k tons





Maturity schedule as of Oct-31st, 2023 | in USDmn

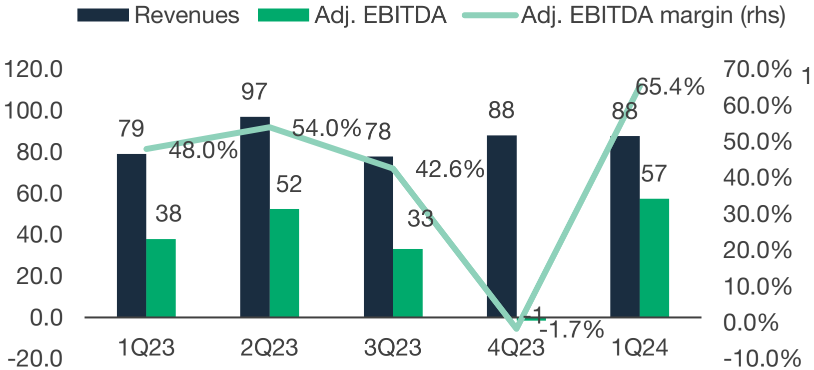


Source: TPCG Research based on the company's reports

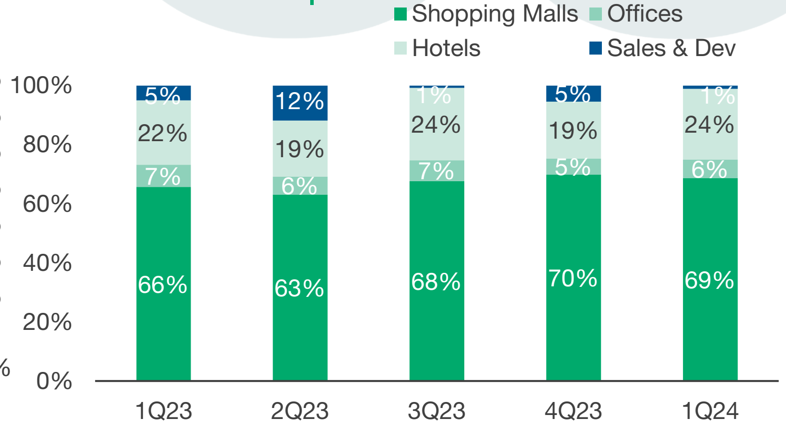
IRSA Inversiones y Representaciones (IRSAAR)

- In 1Q24, total sales grew by 11% yoy to USD88mn, with a strong increase in Shopping revenues (+20% yoy) and Hotels revenues (+26% yoy). The company's EBITDA under our estimations (which excludes the effects of changes in FV of assets, and other G&L) increased by 51% yoy to USD57mn. The company's reported EBITDA was up by 7% yoy to USD49mn.
- In 1Q24, Shopping occupancy grew to 98.0% from 93.7% last year. Although tenants' sales were up +10% yoy, they were down by 1.7% qoq, driven by lower clothes & footwear and restaurant sales.
- Office occupancy improved to 83% from 68.5% in 1Q23, explained by the sale of the class B building located in Suipacha 652/664, as well as one floor in the "261 Della Paolera" building. Rent was almost flat qoq / yoy at USD25.2/. Hotel occupancy grew to 66.4% from 62.7% last year.
- The FCF improved by 71% yoy to USD35mn, driven by lower interest expense and tax paid and higher sales of investment properties. Capex was USD5mn (-7% yoy).
- The Cash & Eq. increased by +22% qoq to USD205mn , covering ST debt by 2.3x. Total debt was down 19% qoq to USD350mn. The net debt / rental EBITDA stood at 1.1x in LTM1Q24, down from 1.5x in FY23,

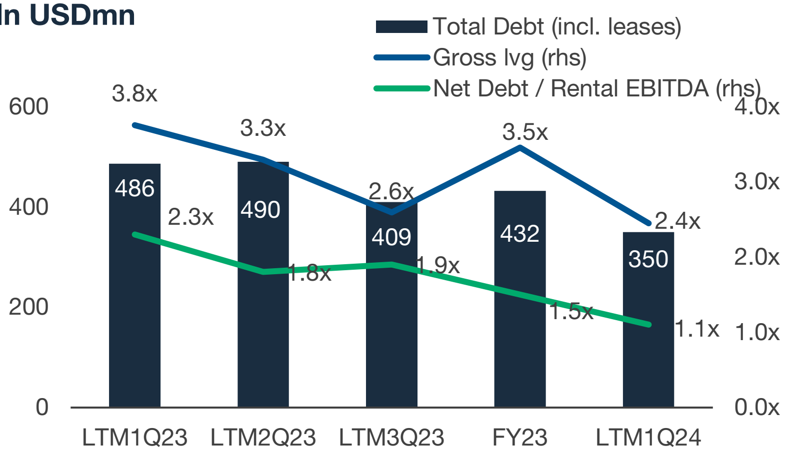
In USDmn



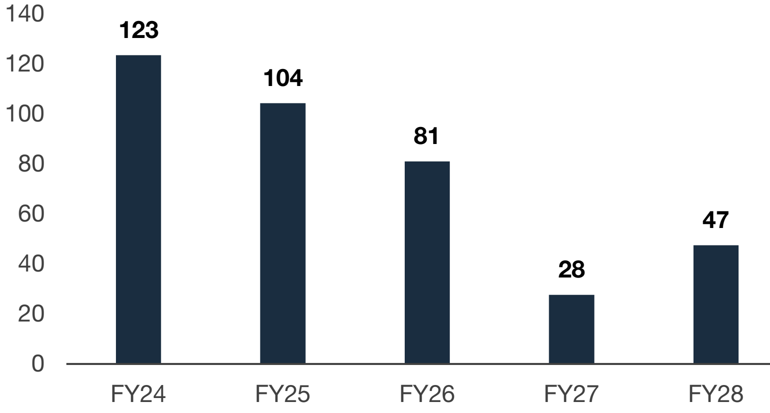
Revenue Breakdown | in %



In USDmn



Maturity schedule as of Sept-30th, 2023 | in USDmn



Source: TPCG Research based on the company's reports

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December 6, 2023