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Corporates – Argentina

January 28, 2022

Catching YPFDAR's wave

Our analysis of Argentine corporate bonds total returns shows that YPF's long-term bonds have been the worst performers since the peak of Sept 16th, 2021. As of that date, **YPF's** bonds total return was -14.8% on average, with the bonds ranging from -5.6% (**24s**) and -20.5% (**33s**). In the case of the **26s**, the bonds' price has already reached mid-April levels. For those who do not remember, after the announcement of the results of the 21s exchange offer, in mid-February, Argentine corporate bonds price bottomed out on April 16th, 2021. As seen in the chart below, those who take the opportunity to buy in the trough obtained remarkable total returns. **CGCSA 9.5 2025s** showed the strongest result, with a total return of +31.6%. It was followed by **MSUNRG 6.875 2025s** and **YPFDAR 8.75 2024s** with a total return of +18.7% and +17.6%, respectively. In contrast, the bonds with the weakest performance were **ARCOR 6 2023s** and **YPFDAR 4 2026s** with a total return of -0.4% and -0.3%, respectively.

In 2021, 25 out of 35 corporate bonds showed positive results. The average total return was +2.0% with CGCSA 9.5 25s being the top performer with a total return of +22.6%, while CLISA 5.25 27s showed the worst performance with a total return of -10.2%. Among YPF's bonds, YPFDAR 8.5 25s New showed the strongest performance with a total return of +4.0%, while YPFDAR 6.95 27s showed the weakest performance with a total return of -9.5%. Excluding YPF, the average total return of Argentine corporate bonds was +3.5%.

Figure 1: YPF bonds performance has been a roller coaster along 2021, the bonds TR went from -9.1% in 1Q21 to +14.3% in 2Q21.

As of 27-Jan-22	Total return								
	WoW	MoM	YTD	Trough (16-Apr-21)	Peak (16-Sep-21)	1Q21	2Q21	3Q21	4Q21
YPFDAR 8.75 24	0.4%	2.1%	3.0%	17.6%	-5.6%	-12.1%	14.8%	-2.0%	-0.9%
YPFDAR 8.5 25 New	-1.3%	-1.3%	-1.6%	7.2%	-11.7%	2.7%	12.3%	3.8%	-4.5%
YPFDAR 8.5 25 Old	-2.5%	-3.1%	-2.1%	11.7%	-12.6%	-11.6%	14.8%	3.2%	-7.4%
YPFDAR 4 26	-1.5%	-1.0%	-1.7%	-0.3%	-14.0%	-2.3%	2.9%	6.2%	-10.2%
YPFDAR 6.95 27	-1.8%	-7.1%	-7.2%	6.8%	-18.2%	-17.2%	18.9%	1.4%	-9.3%
YPFDAR 2.5 29	0.6%	-1.4%	-1.8%	11.0%	-18.4%	-5.2%	16.4%	5.8%	-13.5%
YPFDAR 8.5 29	-2.1%	-4.6%	-4.2%	6.0%	-18.6%	-10.1%	17.7%	9.2%	-7.0%
YPFDAR 1.5 33	-1.0%	-0.7%	-1.8%	15.8%	-20.5%	-8.5%	18.0%	5.7%	-13.2%
YPFDAR 7 47	1.0%	0.7%	0.7%	8.9%	-13.7%	-17.9%	13.0%	3.4%	-5.3%
PANAME 9.125 27	-0.7%	-0.9%	-0.7%	n.a.	-1.7%	n.a.	n.a.	4.3%	-2.5%
TECPET 4.875 22	1.9%	0.1%	0.4%	0.3%	-0.2%	0.2%	-0.1%	1.9%	-0.8%
CGCSA 9.5 25	-0.1%	0.9%	-0.1%	31.6%	0.6%	-3.1%	27.4%	4.7%	0.8%
GNNEIA 8.75 27	-0.7%	-0.5%	-0.7%	n.a.	n.a.	n.a.	n.a.	n.a.	-0.1%
AES 7.75 24	0.3%	1.8%	-0.2%	5.8%	-4.4%	-4.8%	8.4%	3.1%	-3.2%
MSUNRG 6.875 25	-0.2%	-0.1%	-0.1%	18.7%	-1.0%	-6.3%	19.0%	1.5%	-1.5%
YPFLUZ 10 26	-0.2%	-0.9%	-1.1%	10.6%	-2.2%	-3.3%	11.3%	1.4%	-0.8%
PAMPAR 7.375 23	-1.7%	-5.4%	-5.5%	0.6%	-6.0%	-3.8%	6.5%	-0.3%	0.7%
PAMPAR 7.5 27	-1.1%	-7.1%	-7.2%	0.4%	-11.5%	-9.5%	12.5%	0.4%	-3.8%
PAMPAR 9.125 29	-2.1%	-2.6%	-2.7%	4.1%	-11.8%	-3.5%	6.1%	4.5%	-7.8%
EDNAR 9.75 22	0.5%	0.9%	1.5%	2.8%	-2.3%	7.4%	-0.9%	7.1%	-4.5%
CAPXAR 6.875 24	0.2%	0.5%	0.5%	4.6%	-2.0%	3.0%	3.6%	2.8%	-0.9%
TRAGAS 6.75 25	0.1%	-1.6%	-1.8%	1.4%	-5.6%	-4.1%	5.8%	2.0%	-3.3%
BHIP 9.75 25	0.3%	0.5%	0.4%	9.0%	-1.7%	-3.2%	3.0%	2.3%	-0.5%
GALIAR 7.962 26	-0.1%	-3.2%	-3.7%	1.5%	-6.6%	-4.5%	6.7%	1.3%	-2.1%
BMAAR 6.643 26	-0.7%	-0.2%	0.1%	4.0%	-8.2%	-6.1%	3.0%	5.0%	-4.5%
TECOAR 8.5 25	-0.7%	-0.6%	-0.9%	8.0%	0.1%	-5.9%	11.0%	-3.2%	2.6%
TECOAR 8 26	-0.4%	-4.9%	-4.9%	2.7%	-3.5%	-6.6%	8.2%	-2.9%	4.3%
MASHER 10.95 26	2.4%	3.0%	3.1%	n.a.	-0.5%	n.a.	n.a.	n.a.	2.4%
ARCOR 6 23	-0.9%	-5.0%	-4.8%	-0.4%	-4.0%	-5.0%	5.4%	-1.5%	1.5%
CLISA 5.25 27	-3.6%	-4.0%	-3.3%	n.a.	-13.3%	n.a.	n.a.	-3.2%	-8.3%
AGUSAN 6.625 23	-3.7%	-1.3%	-0.2%	8.5%	-6.1%	-5.0%	12.5%	2.2%	-4.5%
IRCPAR 8.75 23	0.0%	1.2%	1.3%	15.5%	-2.5%	-8.3%	10.2%	3.2%	0.6%
RAGHSA 7.25 24	0.3%	1.0%	0.9%	8.3%	-1.3%	-3.2%	6.3%	0.6%	0.9%
RAGHSA 8.5 27	-1.3%	-0.7%	-0.9%	3.8%	-0.7%	0.2%	-1.2%	5.6%	0.6%
AEROAR 6.875 27	0.1%	0.3%	0.3%	5.1%	-1.9%	n.a.	6.3%	0.8%	-1.7%

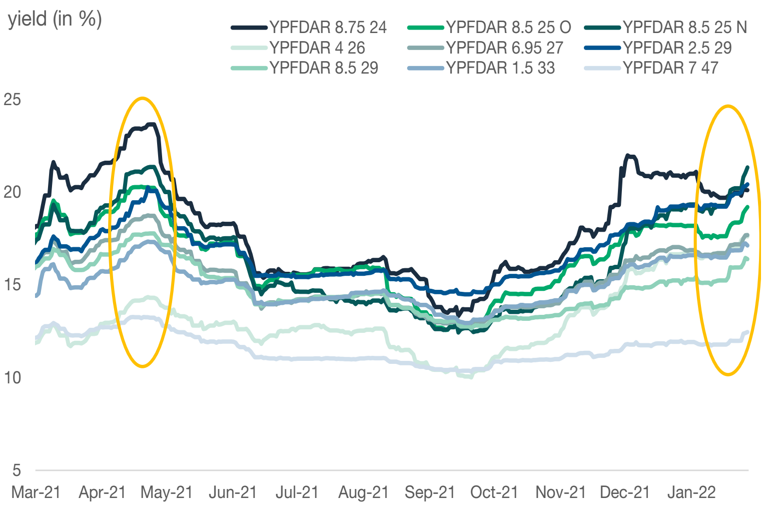
Source: TPCG Research based on Bloomberg.
As of January 27, 2022.

From our perspective, we are in the face of reaching a turning point in YPF's bonds performance like the one seen in mid-April-21. For this reason, we recommend investors to plunge into YPF's waters and catch the wave. Based on the analysis of the 2021 quarters, we recommend investors set exit target prices.

What also supports our view is that finally, the company announced that it was granted a 3-year USD300mn syndicated loan at Libor+6.75%. The loan is comprised of 2 tranches. CAF grants the first one of USD37.5mn. Santander, Industrial and Commercial Bank of China Limited, Dubai (DIFC), Itaú Unibanco, and Cargill Financial Services International grant the second tranche of USD262.5mn.

The press release says that the loan proceeds will be for projects on renewables. However, we believe they will be used, mostly, for the payment of the amortizations of the 2025s New of USD43mn in March and the 2024s of USD260mn in April.

Figure 2: We believe that it is currently a good entry point on YPF bonds as they are reaching mid-Apr-21 levels. However, we recommend investors set an exit price.



Source: TPCG Research based on Bloomberg.
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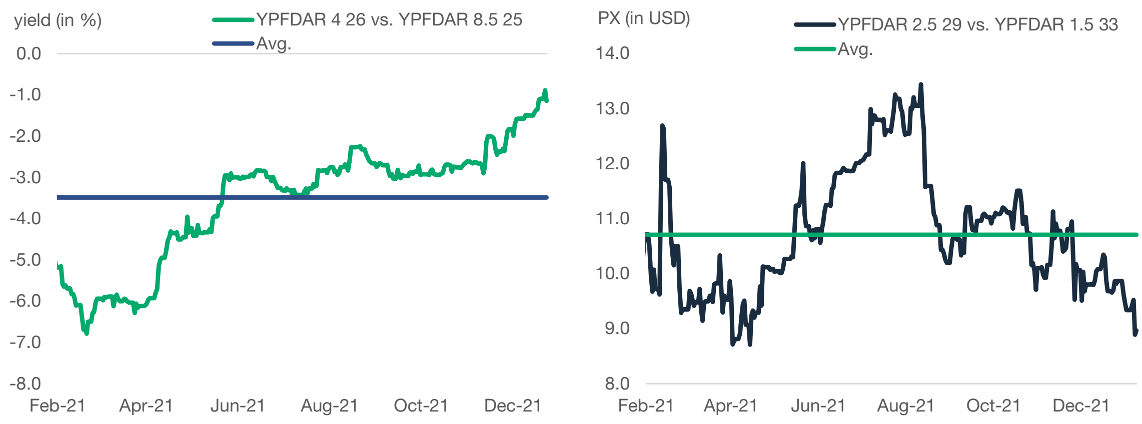
Having said this, we expect total returns above 10% in the following bonds:

- **YPFDAR 8.75 24s.** The bonds are at an ask price of USD89.50 and a yield of 18.8%. Now that there is more clarity on the payment of the first amortization of 30%, it will become one of the most demanded bonds, at least until the payment of the amortization.
- **YPFDAR 4 26s.** The bonds are at an ask price of USD79.25 and a yield of 17.5%. The bonds' yield went from standing at a yield spread differential of 100bps with the 47s to stand currently at 520bps, reaching YPFDAR 33s levels. The spread differential among these bonds is currently 50 while the 26s has historically traded inside the 33s at a yield spread differential of -300bps. We believe the market is undervaluing the bonds' guarantee. Although exports only accounted for 14% of total revenues in 3Q21, they were USD394mn, more than enough to cover the amortizations of the bond of 7.69% or USD60mn each as of 2023. We believe the bonds will become more attractive as 2023 approaches. Firstly, the coupon will pick up to 9% from 4%. Secondly, it will pay the first 4 amortization installments totaling 31% of the bond principal. At that time, we expect investors' preference over the 25s Old to switch to 26s.
- **YPFDAR 2.5 29s.** The bonds are at an ask price of USD57.25 and a yield of 20.3%, USD8 more expensive than the YPFDAR 2.5 29s. In our view, along with the 26s, the 29s New should be one of the first bonds to recover. The bonds' price differential should widen to USD11, as the 29s coupon will increased to 9% in 2023, offering +2pp more in coupon than the 2033. In addition, the 29s New begin to amortize in 2026 while the 33s as of 2030.

Figure 3: YPFDAR 26s & 29s New are the most lagged bonds



Source: TPCG Research based on Bloomberg.
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