

## Vista 1Q23: the effects of increasing exports are beginning to be noticed

<b>VIST</b>	<b>Overweight</b>
Price target	35.00
Price (28-Apr-23)	20.35
Potential Upside	72%

Vista ADRs | Price (USD)



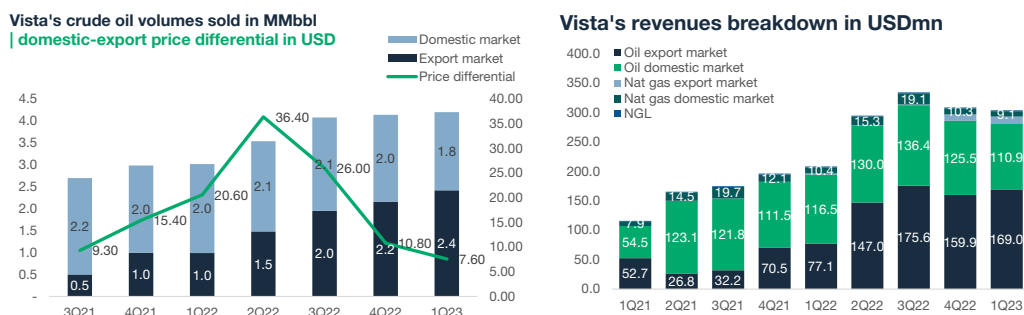
In the middle of high FX volatility, Vista reported strong 1Q23 with revenues and EBITDA growing by +46% and +61% yoy, positive FCF, cash + ST investments increasing by 43% qoq and a LTM1Q23 net leverage of 0.4x. Crude oil exports are starting to make a difference and will be key to compensating for the lower local prices, mainly in 2H23.

In 1Q23, crude oil exports jumped to USD169mn from USD77mn in 1Q22 while they were up +6% qoq, driven by higher volumes as the pricing environment was weaker. Vista sold to export markets 2.4MMbbl, +145% yoy / +12% qoq, representing 58% of total volumes sold. Despite the average realized price of crude oil exports being down -10% yoy / -6% qoq, it was still USD7.6 higher than the average local realized price.

Due to this continuous price differential, volumes sold in the domestic market were relative flattish in the past 2 years, standing at around 2.0MMbbl. In fact, they were down by -10% qoq / -12% yoy to 1.8MMbbl in 1Q23. We expect sales to refineries, which were down by -5% yoy to USD110.9mn, on the negative trend. The government reached an agreement with YPF, Pan American Energy, Raizen, and Trafigura so that the companies increased pump prices by up to 4% m/m from April to August. With inflation accelerating in March, we expect refineries to pay lower prices to upstream companies to maintain their margins. In view of this, Vista will try to reduce even further volumes sold to the domestic market to export them.

The company is shifting not only its incremental crude oil production to international markets but also its natural gas. In 1Q23, revenues from natural gas exports almost quadruple yoy from USD2.6mn in 1Q22 to USD12.7mn while they were up +17% qoq. The average natural gas price paid in the domestic market was USD2.8/MMBTU while the export one was USD8.9/MMBTU. In terms of volumes sold, exports grew 2.5x yoy to 1.4MMBTU while domestic sales decreased 16% yoy to 3.3MMBTU. Within the domestic market, sales to electric power generators were down 75% yoy to USD1.5mn and to retail natural gas distribution companies by 13% yoy to USD1.7mn.

**Figure 1: Since 2Q22, Vista's main revenue driver has been crude oil exports.**



Source: TPCG Research based on the companies' reports

Costs increased at a slower pace than revenues, partly thanks to the transaction with Aconcagua Energia S.A., in which the last one became the operator of Vista's conventional fields as of March 1<sup>st</sup>, 2023. In 1Q23, crude oil production increased by +24% yoy to 44.0kbbld while natural gas production declined by only -1% yoy, with lifting costs down -18% yoy / -11% qoq to USD6.4/boe, as the company focused on shale production. The Adj. EBITDA was up 77% yoy / 3% qoq to USD204.4mn, with the Adj. EBITDA margin increasing +6pp yoy / +2pp qoq to 67%. The company expects lifting costs of USD5.5/boe in FY23 down from USD7.5/boe in FY22, this will help to offset the decrease in revenues from the local market sales.

As a result of Vista improving its profitability, FCF was positive for the 4<sup>th</sup> consecutive quarter, despite capex increasing by +70% yoy to USD133mn and the company paying USD10mn to Oldeval as part of the ship or pay contract of the Proyecto Duplicar. Therefore, cash + ST investments increased by +68% yoy / +43% qoq to USD350mn.

Vista stands out from YPF, Pan American Energy, Pampa Energia, Capex SA for showing one of the lowest net leverages in the sector of 0.4x in LTM1Q23. In addition, it is the only company that didn't tap international markets. As of Dec-31<sup>st</sup>, 2023, total debt was USD723mn, comprised of USD394mn of bank loans, USD266mn of local bonds and USD63mn of leases. The next important maturity is a 2-tranche syndicated loan with an amount outstanding of USD46mn maturing in July 2023. Even so, Vista shows a strong liquidity position with cash + ST investments covering short term debt by 273%.

**Figure 2: Vista's 1Q23 summary financials.**

	1Q22	1Q23	Chg yoy	4Q22	1Q23	Chg qoq
<b>Operating Data</b>						
Oil production (kbbld)	35.6	44.0	23.6%	45.7	44.0	-3.7%
Natural Gas (MMm3d)	1.2	1.2	-0.8%	1.4	1.2	-8.9%
NGL (kbbld)	0.5	0.4	-10.0%	0.5	0.4	-11.5%
<b>Total (kboed)</b>	<b>43.9</b>	<b>52.2</b>	<b>18.9%</b>	<b>54.7</b>	<b>52.2</b>	<b>-4.6%</b>
<b>Summary financials (in USDmn)</b>						
<b>Income Statement Items</b>						
Revenues	207.9	303.2	45.8%	308.1	303.2	-1.6%
Opex	293.6	486.4	65.7%	480.1	486.4	1.3%
Adj. EBITDA	127.1	204.4	60.8%	201.7	204.4	1.3%
Net Income	15.5	128.7	728.7%	75.5	128.7	70.5%
Adj. EBITDA Margin	61%	67%		65%	67%	
<b>Balance Sheet Items</b>						
Short Term Debt (incl. leases)	155.2	128.3	-17.3%	80.3	128.3	59.9%
Long Term Debt (incl. leases)	474.6	594.4	25.2%	498.2	594.4	19.3%
<b>Total Debt (incl. leases)</b>	<b>629.9</b>	<b>722.7</b>	<b>14.7%</b>	<b>578.5</b>	<b>722.7</b>	<b>24.9%</b>
Cash & Cash Eq. + ST Investments	207.9	350.2	68.5%	244.4	350.2	43.3%
Gross Leverage (LTM)	1.3x	0.9x		0.8x	0.9x	
Net Leverage (LTM)	0.9x	0.4x		0.4x	0.4x	
Cash / ST Debt	134%	273%		304%	273%	
ST Debt / Total Debt	25%	18%		14%	18%	
Debt / Capital	37%	31%		28%	31%	
<b>Cash Flow Items</b>						
Funds From Operations	120.9	164.6	36.1%	203.8	164.6	-19.3%
Change in Working Capital	(4.9)	(4.1)	-17.7%	24.0	(4.1)	n.m.
<b>CFO after cash interest &amp; taxes</b>	<b>97.7</b>	<b>151.2</b>	<b>54.8%</b>	<b>211.6</b>	<b>151.2</b>	<b>-28.5%</b>
Capex (Disposals)	(79.1)	(133.8)	69.1%	(152.0)	(133.8)	-12.0%
<b>Free Operating Cash Flow</b>	<b>18.6</b>	<b>17.4</b>	<b>-6.3%</b>	<b>59.6</b>	<b>17.4</b>	<b>-70.8%</b>
Acquisition (Disposals)	(90.8)	(0.5)	-99.4%	(7.0)	(0.5)	-92.4%
<b>Free Cash Flow</b>	<b>(72.2)</b>	<b>16.9</b>	<b>n.m.</b>	<b>52.6</b>	<b>16.9</b>	<b>-67.9%</b>

Source: TPOG Research based on the company's reports

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