Argentina:
Corporates 2Q23 Update

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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

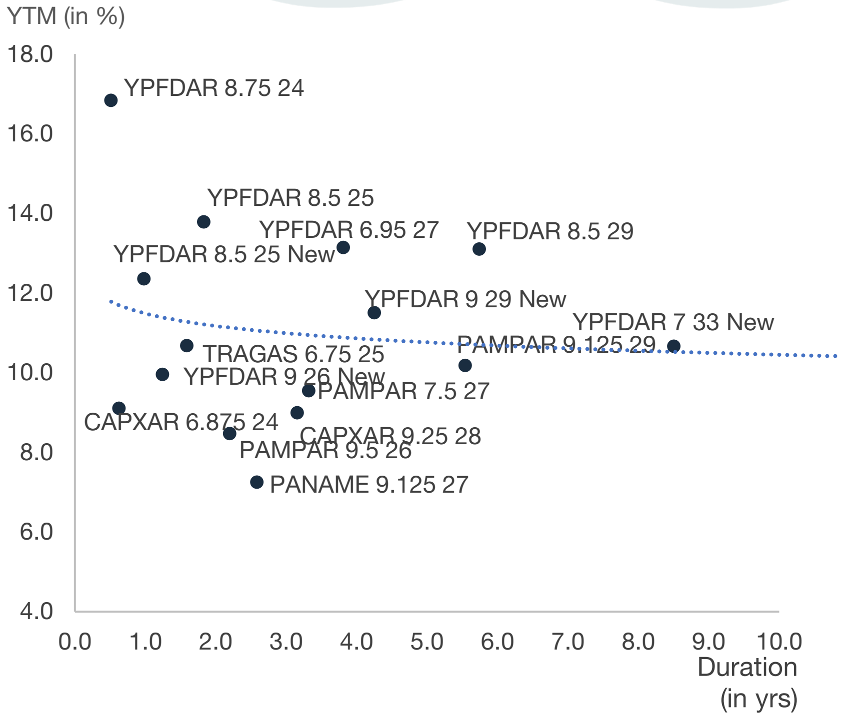
- Telecom
- Arcor
- Mastellone Hermanos
- Aeropuertos Argentina 2000
- IRSA IR

O&G companies' main figures

Summary financials as of 2Q23.

	YPF YPFDAR	Pan American Energy PANAME	Pampa Energia PAMPAR	CGC CGCSA	Capex SA* CAPXAR	TGS TRAGAS
Total Production (KBOED)	513.1	163.7	67.3	61.8	17.2	-
In USDmn						
Revenues	4,375.0	1,182.9	464.0	250.9	104.5	244.7
Adj. EBITDA	1,005.0	376.6	222.0	76.6	47.6	95.7
Net Income	380.0	167.4	164.0	20.8	1.7	52.2
Gross Margin	20%	29%	38%	12%	46%	37%
Adj. EBITDA Margin	23%	32%	48%	31%	46%	39%
Capex	1,366.0	364.6	164.8	126.1	37.5	84.9
Free Cash Flow	(172.0)	(38.1)	(65.3)	(88.0)	(41.8)	7.7
Cash & Cash Eq. + ST Investments	1,470.0	257.4	871.4	334.7	14.0	447.4
ST Debt (incl. leases)	1,774.0	721.6	358.9	172.1	288.4	22.5
Total Debt (incl. leases)	8,318.0	2,507.8	1,668.6	1,155.7	328.2	534.2
(Cash + ST Investments) / ST Debt	83%	36%	243%	195%	5%	1984%
Gross Leverage (incl. leases) (LTM)	1.9x	1.5x	2.3x	3.5x	1.8x	1.4x
Net Leverage (incl. leases) (LTM)	1.4x	1.3x	1.1x	2.5x	1.7x	0.2x

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

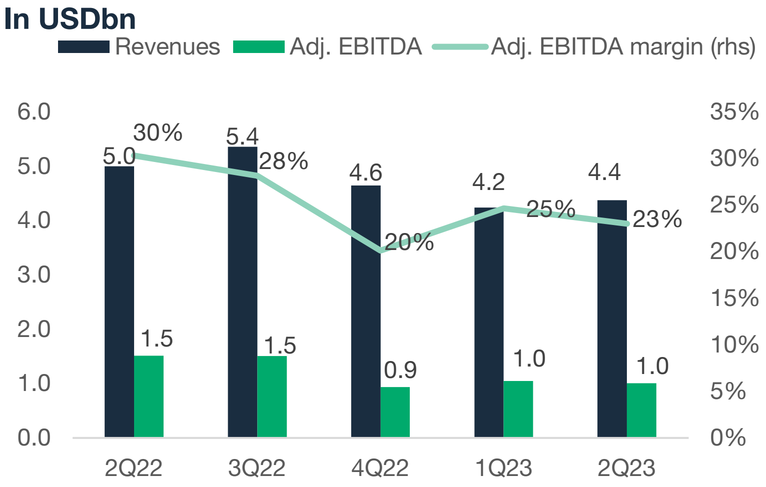


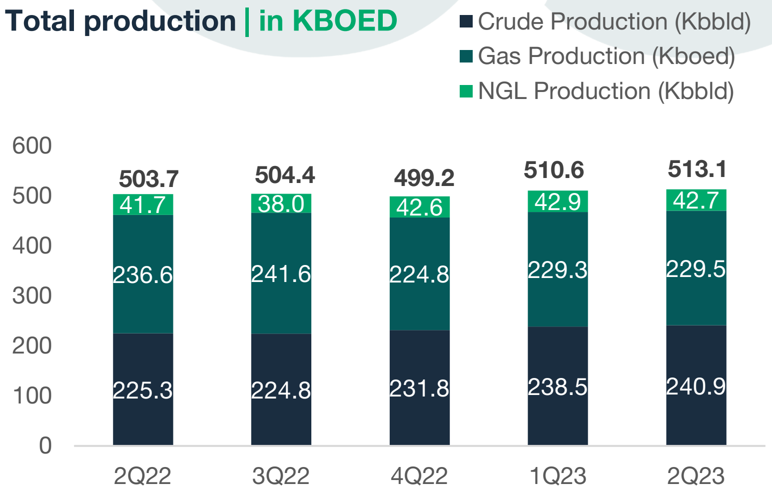
In 2Q23, O&G sector companies showed lower EBITDA margins, explained by soft revenues driven by a decrease in the local and international crude oil price amid higher inflation that pushed upwards costs and S&GA. We expect 3Q profitability levels to weaken. The government stablished that the local crude oil price (Medanito) will be USD56/bbl until October 31st, broadening the price gap with Brent, which climbed to USD94 in the past week. On the natural gas side, volumes sold declined due to the warmer weather.

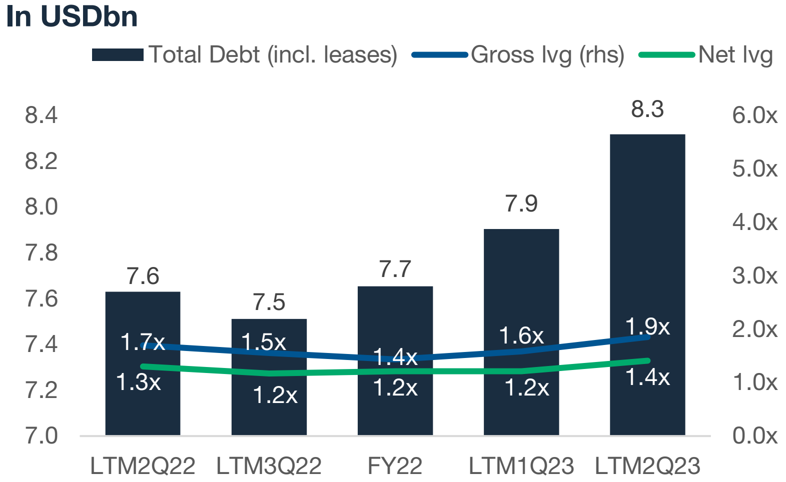
The recently announced Vaca Muerta FX will partly help to compensate for lower local prices in 4Q23. Considering that the company's next quarters' results will weaken due to pump prices being frozen for almost 3 months, we believe YPF bonds are rich. Given the fragile macroeconomic scenario in the upcoming months, we believe YPF bonds' prices lack the fundamental support to continue rising, thus, we recommend taking profits. For more information, do not miss reading *YPF rowing in Dulce de Leche report*.

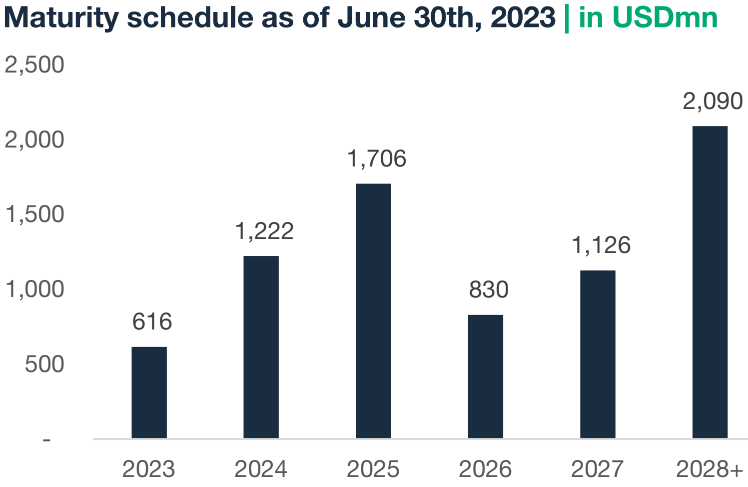
YPF SA (YPFDAR)

- In 2Q23, YPF's revenues were USD4,375mn (-12% yoy / +3% qoq). Domestic sales, which accounted for 91% of total revenues, were down by 7% yoy to USD3,982mn, although they were up by +6% qoq. Exports sales decreased by -44% yoy and -18% qoq, with weak jet fuel and grain and flowers sales.
- YPF's Adj. EBITDA was down by 34% yoy / 4% qoq to USD1,005mn. The EBITDA margin eroded to 23% from 30% in 2Q22.
- YPF's total production was 513.1KBOE/D (+1.9% yoy / +0.5% qoq). Shale production grew by +18% yoy / +1.6% qoq to 230.5KBOE/D with oil production growing by +28% yoy / +2.3% qoq to 94.6KBBL/D.
- YPF's FCF was negative at -USD172mn, on the back of lower FFO (-20% yoy USD1,407mn) and higher Capex (+65% yoy to USD1,366mn).
- As of June- 30th, 2023, YPF's total debt including leases was up by +5.2% qoq to USD8,318mn. Cash + Investments was up by +13% qoq to USD1,470mn, covering short term maturities by 83%. The company's LTM2Q23 reported net leverage was up to 1.4x from 1.2x in LTM1Q23.







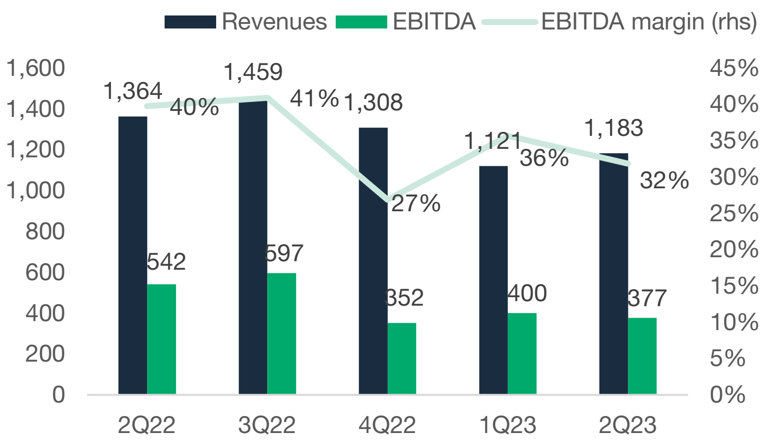


Source: TPCG Research based on the company's reports

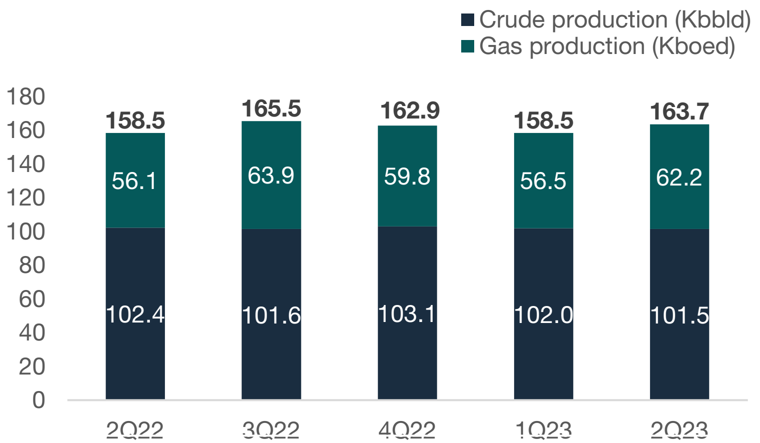
Pan American Energy (PANAME)

- In 2Q23, Pan American Energy's revenues were USD1,183mn (-13% yoy / +5.5% qoq). Gasoline sales dropped by 9% yoy / 2.8% qoq. The EBITDA was down 30.5% yoy / 5.8% qoq to USD377mn, with selling expenses increasing by +6.8% yoy / +12% qoq. The EBITDA margin stood at 32%, down from 40% in 2Q22.
- In 2Q23, total O&G production was up by +3.3% yoy / +3.2% qoq to 163.7kboed, with natural gas production at 62.2kboed (+10% qoq) and oil production at 101.5kbbld (-0.5% qoq).
- FCF remained on negative ground at –USD38mn, although it improved from –USD66mn in 1Q23, mainly driven by trade receivable cash inflows of USD10mn. Inventories cash outflows were down by 6% yoy. Capex increased by 35% yoy / 31% qoq to USD365mn.
- As of June-30th, 2023, Pan American Energy's total debt (incl. leases) was flat at USD2,508mn. Cash & Eq. + ST investments decreased by -2.5% qoq to USD257mn, not enough to cover short term debt of USD722mn. According to our estimates, the company net leverage was up to 1.3x in LTM2Q23 from 1.2x in LTM1Q23.

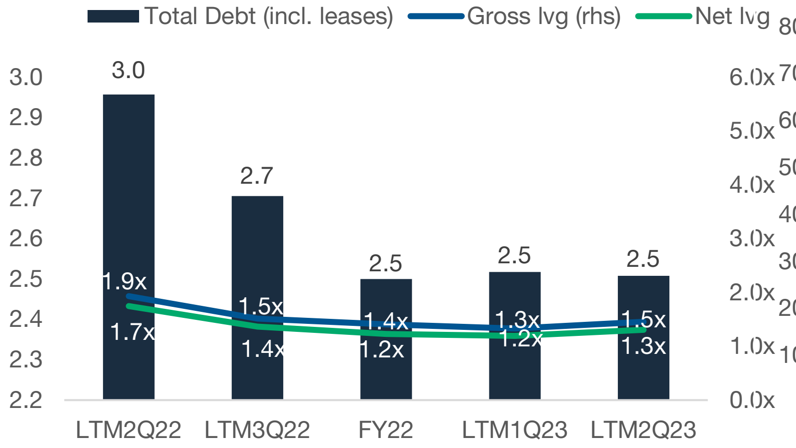
In USDbn



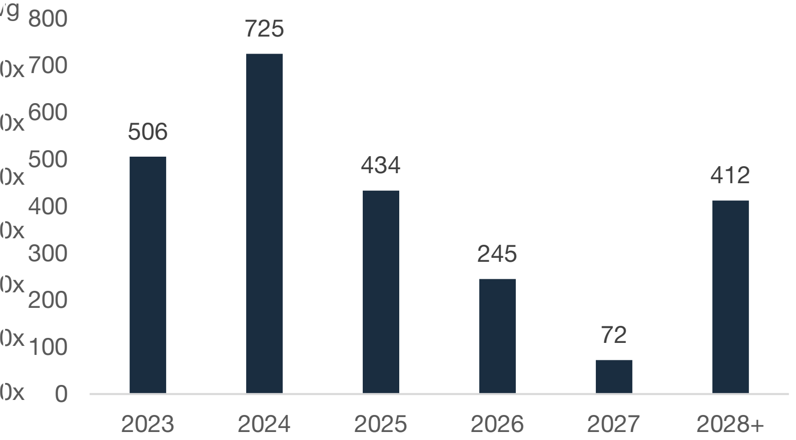
Total production | in KBOED



In USDbn



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

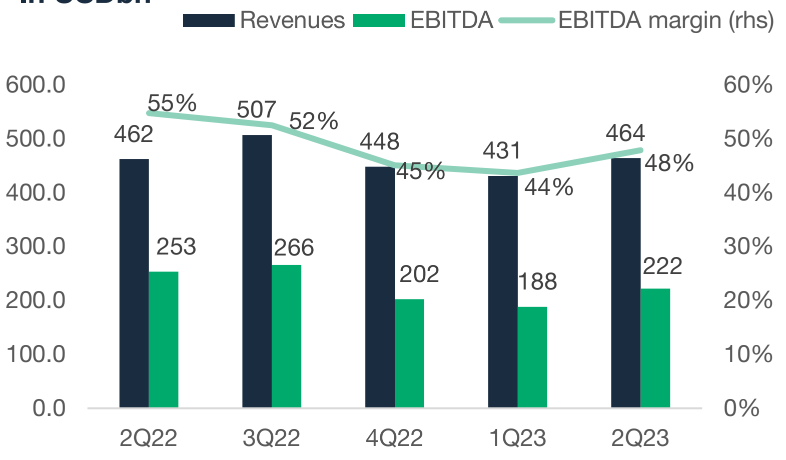


Source: TPCG Research based on the company's reports

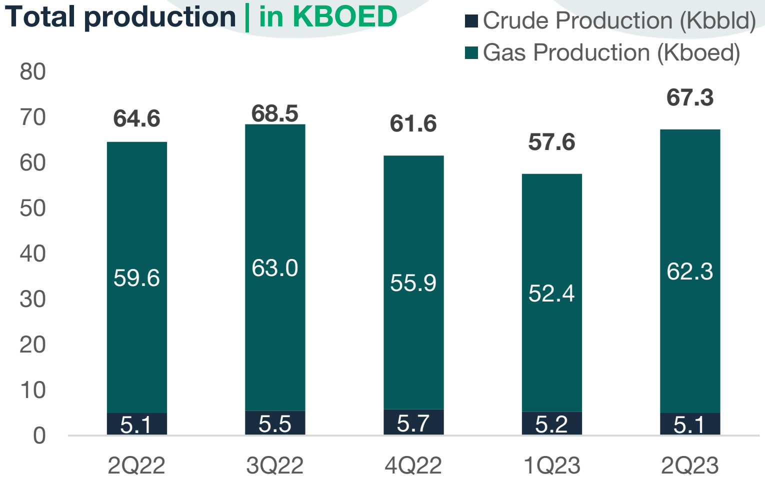
Pampa Energia (PAMPAR)

- In 2Q23, Pampa Energia's revenues were up by +0.4% yoy / +7.7% qoq to USD464mn. The Adj. EBITDA decreased by 12% yoy to USD222mn, although it was up by +7.8% qoq. The Adj. EBITDA margin decreased to 48% from 55% in 2Q22.
- E&P revenues, which accounted for 40% of total sales, were up by +13% yoy / +21% qoq to USD187mn. Natural gas sales grew by +4% yoy to 62.3kboe/d while the average price increased +7% yoy to USD4.7/MBTU, driven by higher exports to Chile. Power generation sales increased by +4% yoy, while they were down -1.2% qoq to USD171mn. The Adj. EBITDA dropped by -0.7% yoy / -9.2% qoq to USD98mn, mainly explained by the lower spot price.
- FCF was negative at –USD65mn from –USD36mn in 2Q22, on higher capex (+49% yoy to USD165mn).
- As of June-30th, 2023, Pampa Energia's total debt (including leases) was flat qoq at USD1,669mn. Cash & Eq. + ST Investments increased by +13% qoq to USD871mn, covering short-term debt by 2.4x. The reported consolidated net leverage remained improved to 1.1x from 1.2x in LTM1Q23.

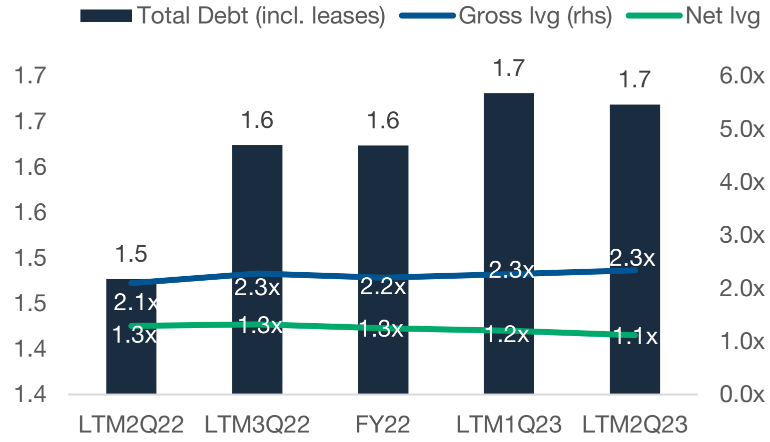
In USDbn



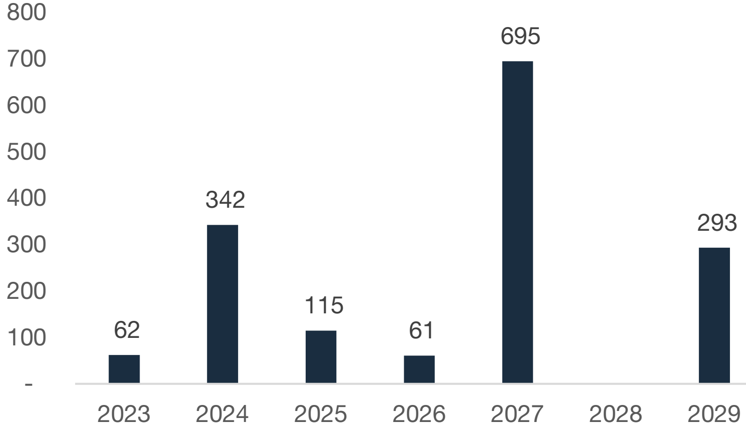
Total production | in KBOED



In USDbn



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



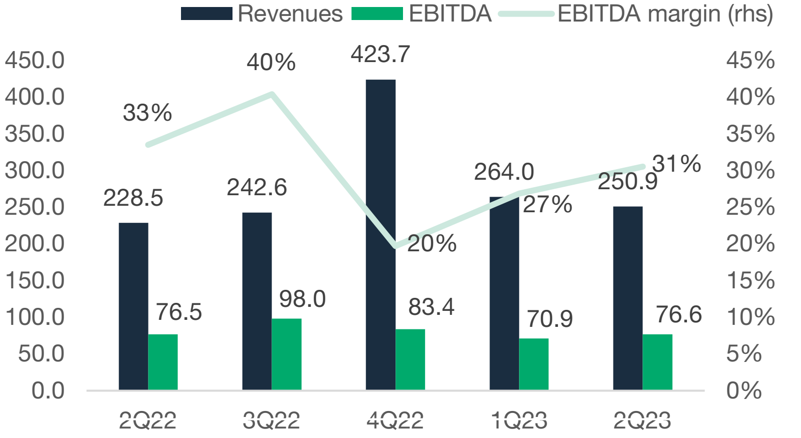
Source: TPCG Research based on the company's reports

TPCG

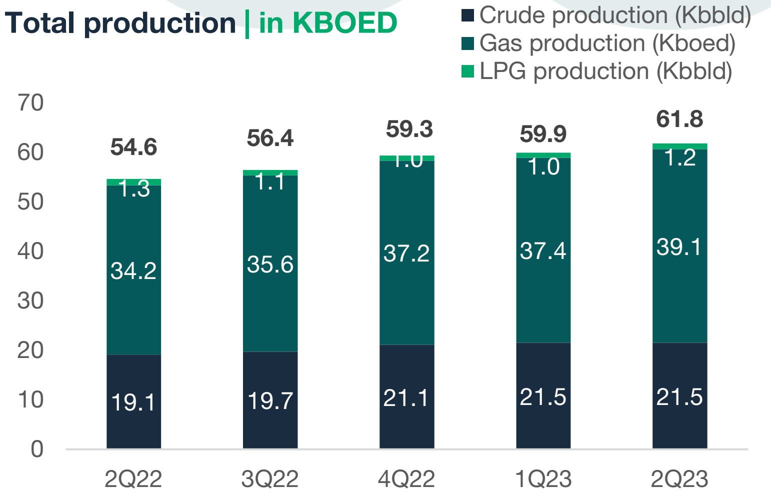
Cia General de Combustibles (CGCSA)

- In 2Q23, CGC' revenues were up by +9.8% yoy to USD251mn with nat gas sales increasing by +85% yoy to USD114mn. Incentives were down by 11% to USD3.2mn. The Adj. EBITDA was flat yoy at USD76.6mn. However, the margin decreased to 31% from 33% in 2Q22, on the back of higher COGS (+26% yoy) and administrative expenses (+60% yoy).
- Oil production was up by +12.6% yoy to 21.5kbbld while natural gas production increased by +14.3% yoy to 39.1kboed.
- FCF was negative at –USD88mn vs. –USD28mn in 2Q22, due to trade receivable cash outflows (-USD81mn vs. -USD1.8mn) and higher Capex (USD126mn, +91% yoy).
- As of June-30th, 2023, CGC's total debt (incl. leases) was USD1,156mn (+15% qoq) . Cash & Eq. + ST Investments stood at USD335mn (+26% qoq), covering short term debt by 195%. According to our estimates, the company net leverage increased to 2.5x from 2.2x in LTM1Q23.

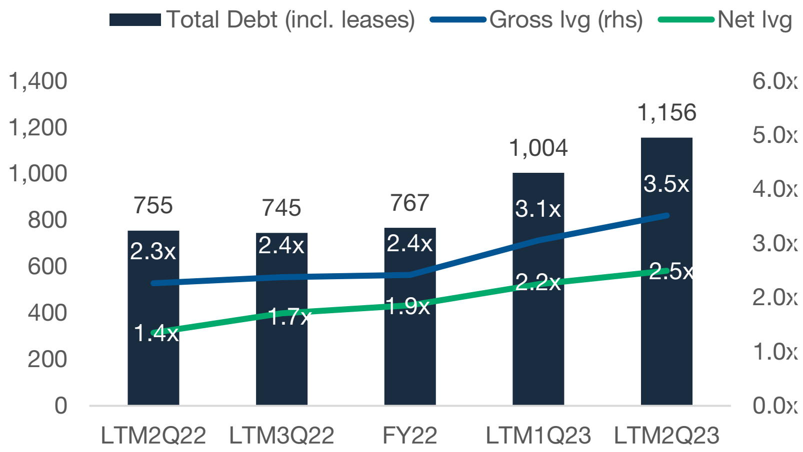
In USDmn



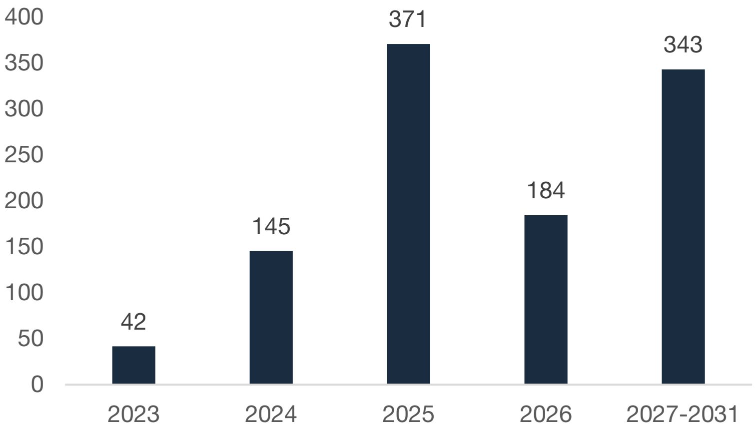
Total production | in KBOED



In USDmn



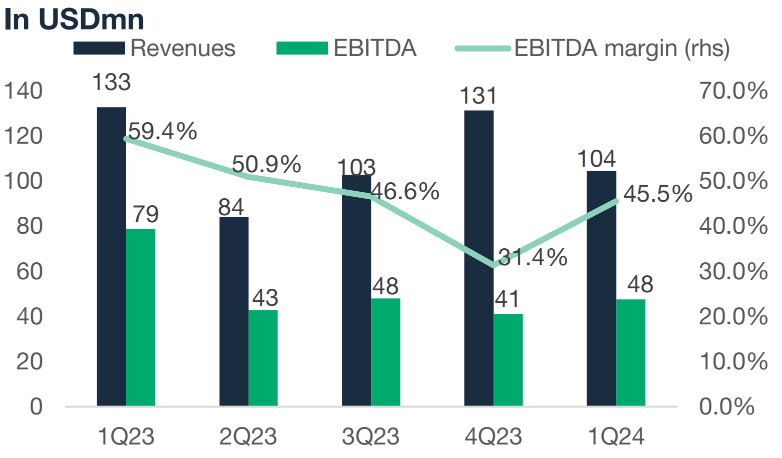
Maturity schedule as of July 31st, 2023 | in USDmn

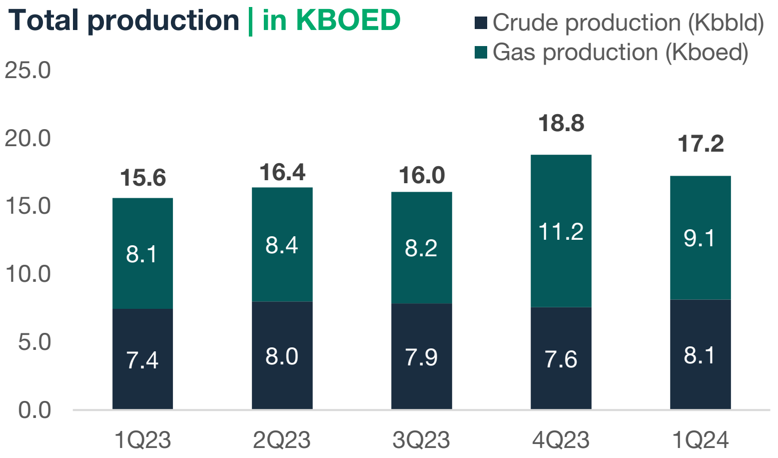


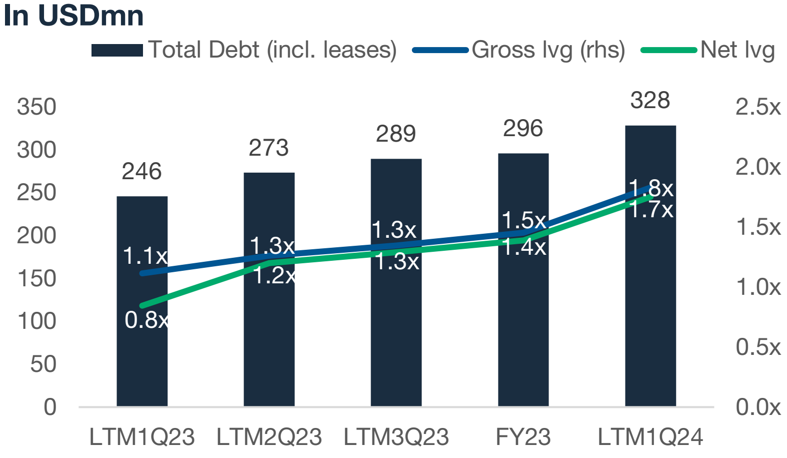
Source: TPCG Research based on the company's reports

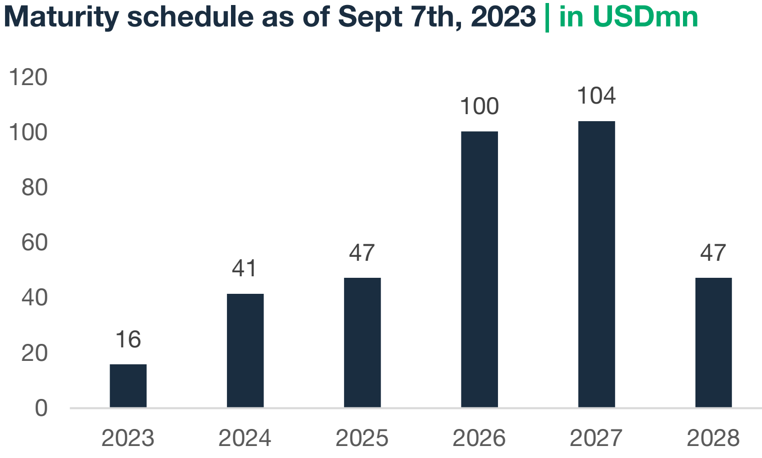
Capex SA (CAPXAR)

- 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.







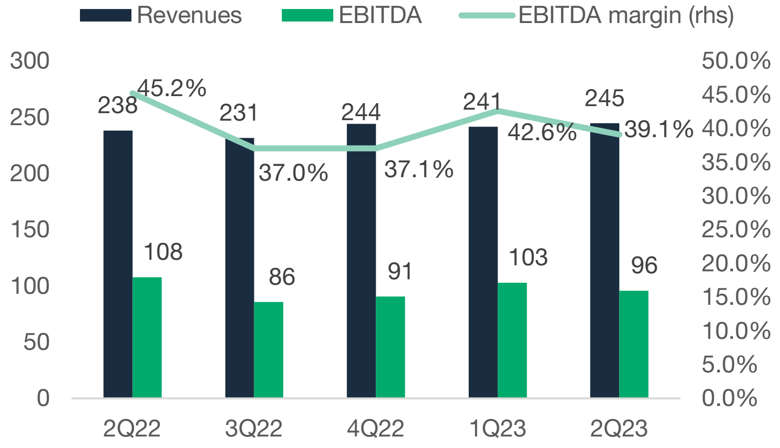


Source: TPCG Research based on the company's reports

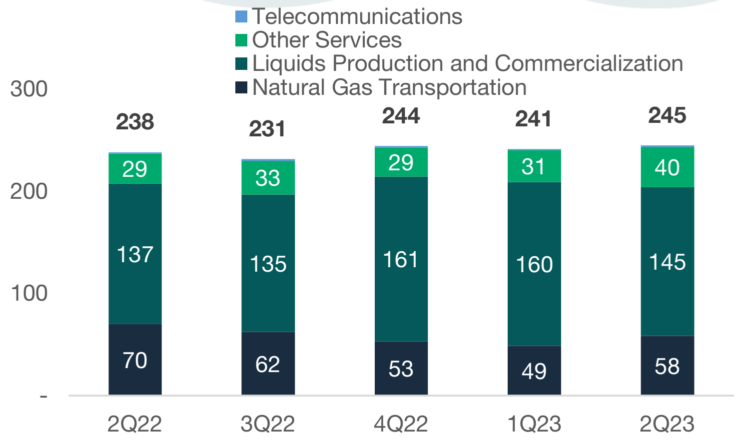
TGS (TRAGAS)

- In 2Q23, TGS estimated revenues were up by 2.7% yoy to USD244.7mn in USD terms due to the appreciation of the ARS. However, they were down by 6.2% yoy to ARS56,709mn, in real terms.
- The liquids business revenues were down by 3% yoy to ARS33,690mn (USD145mn) due to the impact of the IAS 29 restatement. Liquids volumes sold to foreign markets were up by 136% yoy to 80,992 tons. Local market liquids volumes sold was up by 4% yoy to 206,207 tons, with ethane sales increasing by 29% yoy. Natural gas transportation revenues decreased by 24% yoy to ARS13,541mn (USD58mn), because the tariff increase given to natural gas transportation was below the accumulated inflation.
- EBITDA was down by 11% yoy to USD95.7mn, the margin was down to 39% from 45% in 2Q22.
- As of June-30th, 2023, TGS total debt was down by 1.9% qoq to USD534mn with short-term loans decreasing by 28% qoq to USD23mn. However, cash + ST investments was up by +120% qoq to USD447mn, covering short term debt by 19.8x. TGS's LTM2Q23 net leverage was down to 0.2x from 0.3x in LTM1Q23.

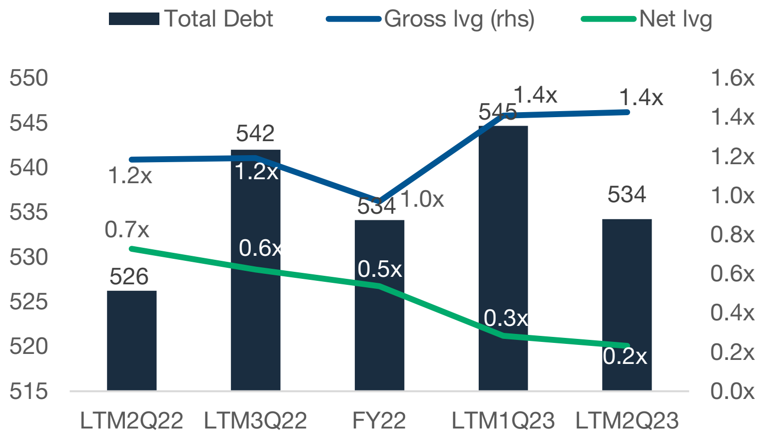
In USDmn



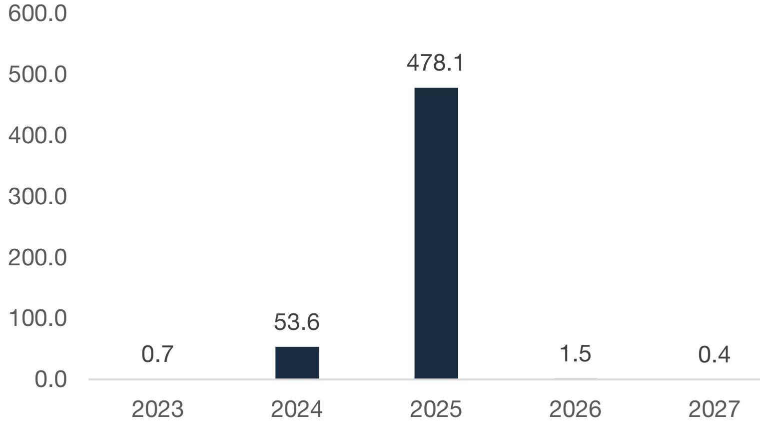
TGS revenues breakdown | USDmn



In USDmn



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



Source: TPCG Research based on the company's reports

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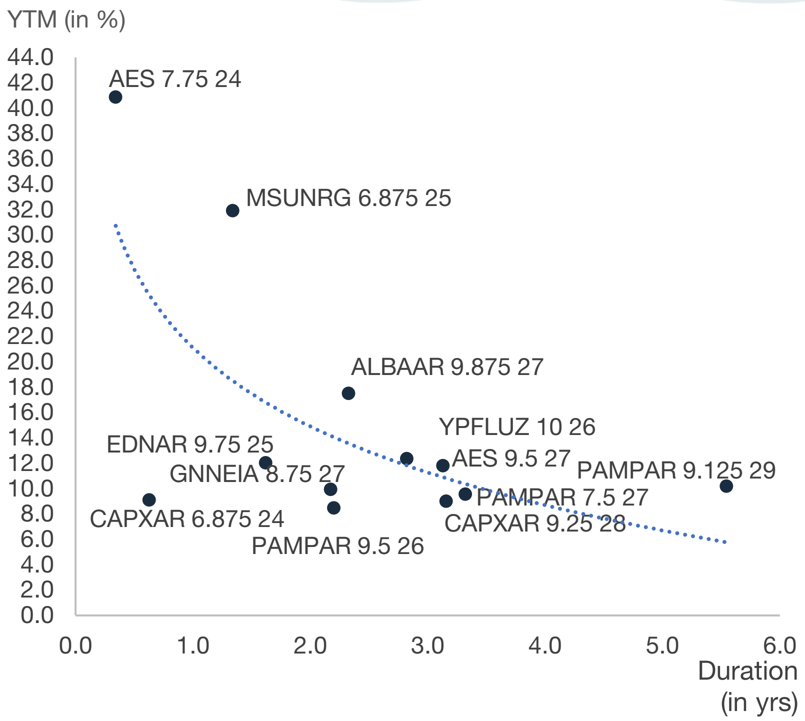
Utilities companies' main figures

Summary financials as of 2Q23

	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	+140MW	+50MW	+100MW	+508MW	+222MW	-	-	-
In USDmn								
Revenues	**171.0**	**71.1**	**131.9**	**48.5**	**70.1**	**47.5**	**104.5**	**396.7**
Adj. EBITDA	**98.1**	**18.8**	**173.9**	**22.7**	**55.2**	**39.2**	**47.6**	**(32.0)**
Net Income	**104.0**	**(0.4)**	**56.2**	**(4.8)**	**19.5**	**7.6**	**1.7**	**(20.8)**
Gross Margin	43%	21%	52%	36%	66%	73%	46%	4%
ADJ. EBITDA Margin	57%	26%	132%	47%	79%	83%	46%	-8%
Capex	**53.0**	**1.9**	**31.0**	**5.8**	**36.3**	**5.6**	**37.5**	**68.5**
Free Cash Flow	**n.a.**	**73.1**	**59.1**	**(21.5)**	**9.4**	**40.3**	**(41.8)**	**(16.4)**
Cash & Cash Eq. + ST Investments	**871.4**	**77.1**	**164.3**	**225.8**	**161.4**	**49.2**	**14.0**	**164.0**
ST Debt (incl. leases)	**358.9**	**295.6**	**100.0**	**284.9**	**177.5**	**130.9**	**288.4**	**1.8**
Total Debt (incl. leases)	**1,668.6**	**295.6**	**932.8**	**1,128.2**	**770.7**	**837.5**	**328.2**	**116.0**
(Cash + ST Investments) / ST Debt	243%	26%	164%	79%	91%	38%	5%	8978%
Gross Leverage (incl. leases)(LTM)	2.3x	2.3x	1.9x	5.8x	3.5x	5.2x	1.8x	n.m.
Net Leverage (incl. leases)(LTM)	1.1x	1.7x	1.7x	5.6x	2.8x	4.9x	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 2Q23, although companies showed higher revenues yoy and qoq, they reported lower EBITDA margins, explained by the rise in salaries, social security charges and maintenance costs. Most companies reverted 1Q23 negative FCF. It was mainly due to the improvement of Cammesa payment days to 80 days as of April's bill from January's bill 99 days.

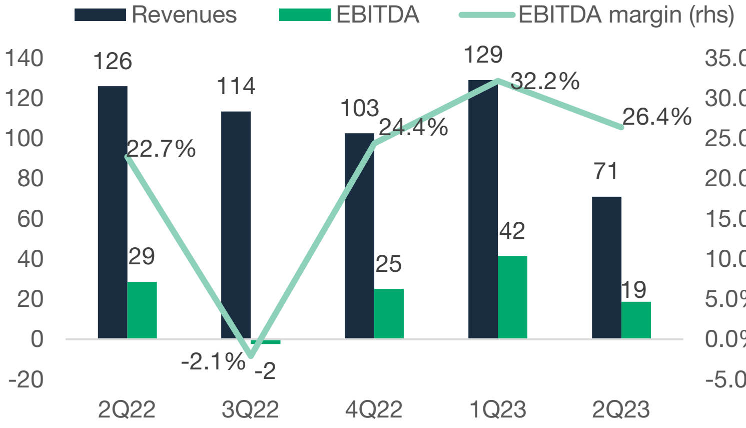
We believe that companies with a higher share of PPAs will be in better shape to face an FX devaluation. Overall, companies should build up a higher liquidity position, on the back of an ascending positive FCF thanks to a decrease in Cammesa payment days because of the start of spring. Next year, payment days should remain below this year's levels on lower cash outflows for the payment of LNG imports thanks to the completion of the NK pipeline.

TPCG

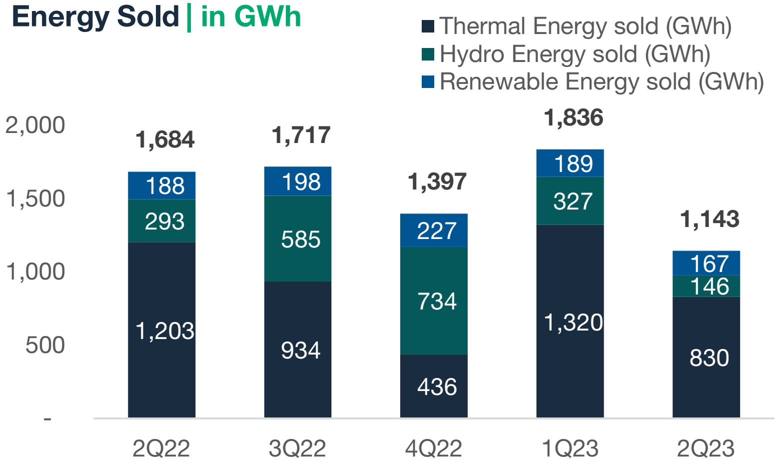
AES Argentina Generacion (AES)

- In 2Q23, AES AG's revenues were down -44% yoy to USD71mn. The Adj. estimated EBITDA was down by 35% yoy to USD18.8mn.
- AES AG electricity generation was down by 32% yoy to 1,143GWh. The increase in hydro generation partly offset the decline in thermal and wind generation. The San Nicolas and Parana thermal plants' power generation was down by 55% and 13% yoy, respectively.
- FCF turned positive to USD73.1mn from –USD63.4mn in 2Q22, on trade receivable cash inflows (+USD44.5mn vs. –USD42.1mn in 2Q22). Capex was down by only 37% yoy to USD1.9mn.
- As of June-30th, 2023, AES AG's total debt was down by 11.7% qoq to USD296mn. Cash & equiv. increased by 100% qoq to USD77mn. According to our estimates, AES's net leverage (incl. leases) was 1.7x in LTM2Q23.

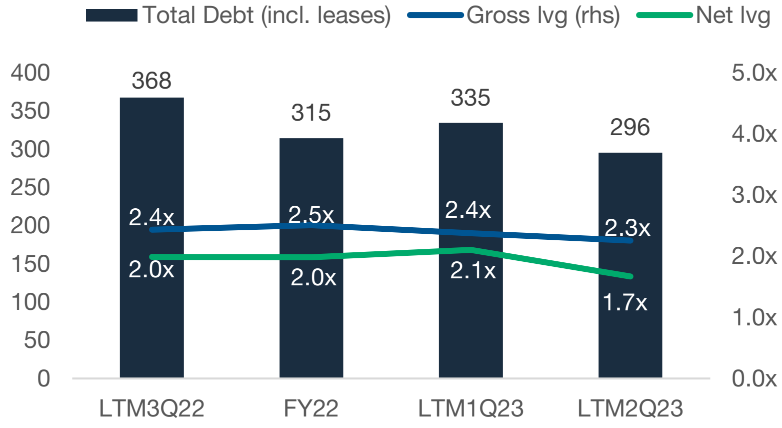
In USDmn



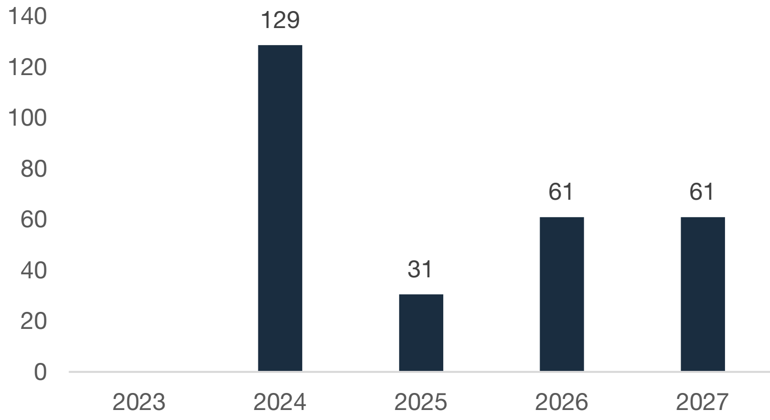
Energy Sold | in GWh



In USDmn



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

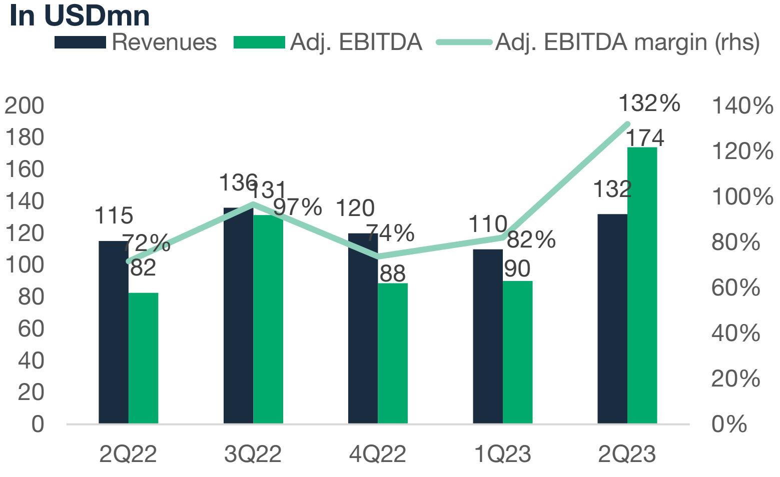


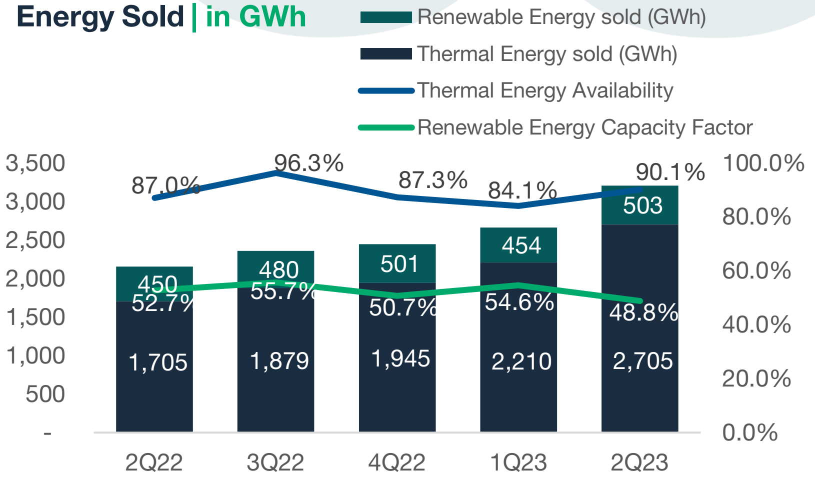
Source: TPCG Research based on the company's reports

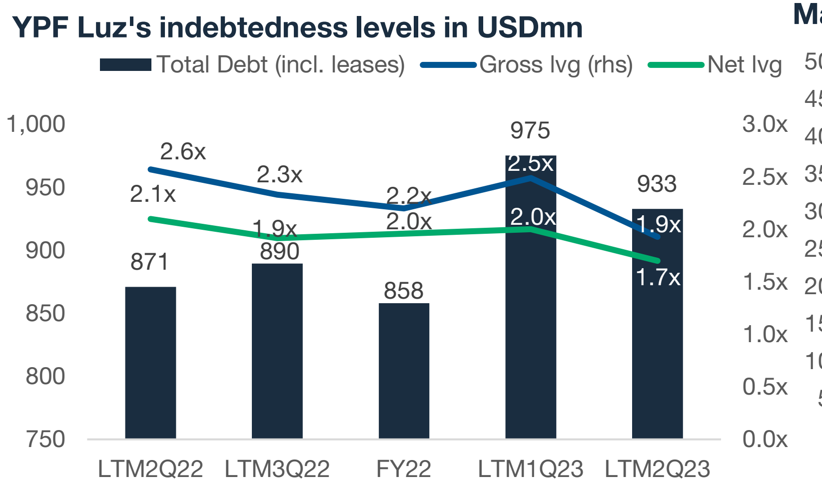
TPCG

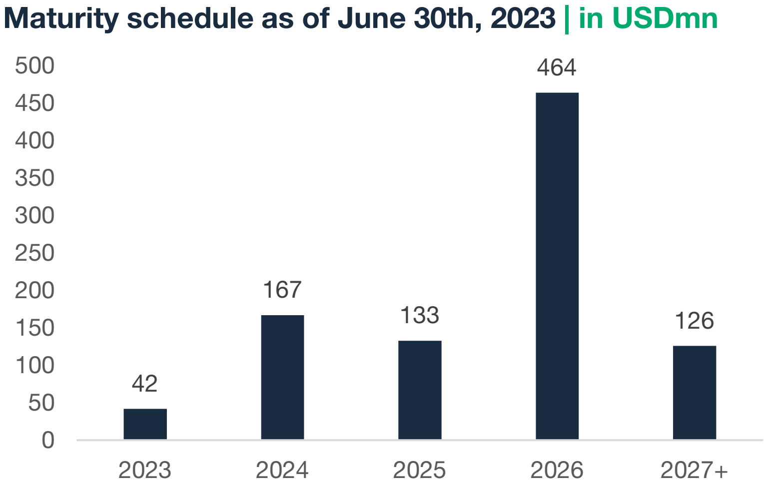
YPF Luz (YPFLUZ)

- In 2Q23, YPF Luz revenues were up by +14.7% yoy to USD132mn, with energy sold increasing by 48.8% yoy to 3,208GWh. Thermal energy was up by 58.6% yoy to 2,705GWh, mainly due to YPF Luz gained control of CDS. Renewable energy increased +11.8% yoy to 503GWh, driven by Zonda Photovoltaic Solar farm reaching COD. The EBITDA was up by +107% yoy to USD174mn.
- FCF turned positive to USD59mn from -USD12.7mn in 2Q22. This was mainly due to higher FFO (+220% yoy) that helped to offset working capital cash outflows. Capex decreased by 43% yoy to USD31mn.
- As of June-30th, 2023, YPF Luz reported total debt was down by 4.4% qoq to USD933mn, with short-term debt decreasing by 27% qoq to USD100mn. Cash & cash eq. was down by 13.8% qoq to USD164mn, covering ST-debt by 164%. YPF Luz's reported net leverage (related to its notes) was down to 1.7x from 2.0x in LTM1Q23.









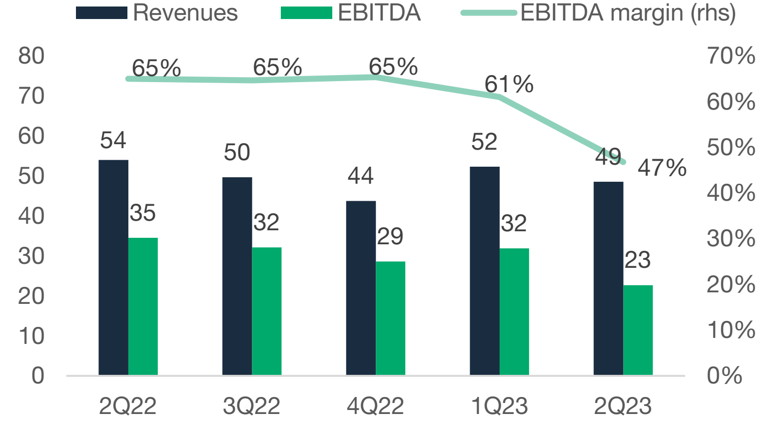
Source: TPCG Research based on the company's reports

TPCG

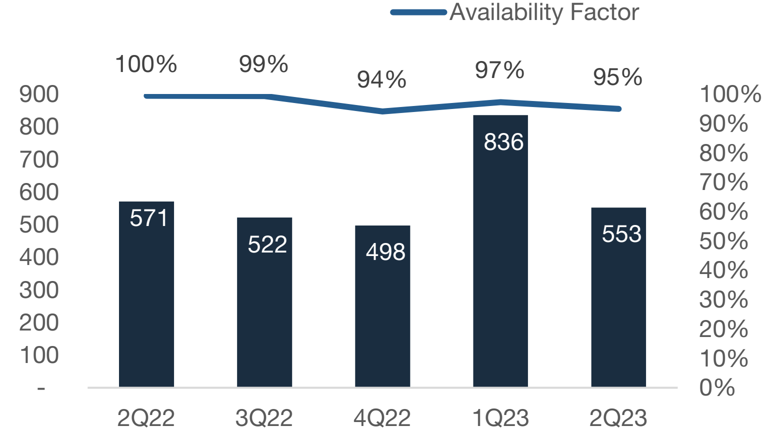
Generacion Mediterranea (ALBAAR)

- In 2Q23, GEMSA's revenues were down -10% yoy USD49mn with total energy sold decreasing by 3% yoy to 553GWh. Sales from Energia Base were up by +41% yoy to USD5.5mn. Energia Plus sales increased by +23% yoy to USD16.1mn due to the increase in energy dispatch. In contrast, sales from PPAs were down by 45% yoy to USD12.1mn.
- Adj. EBITDA was down by 34% yoy to USD22.7mn. The Adj. EBITDA margin came down to 47% from 64% in 2Q22. This was mainly due to the increase in maintenance services and purchases of electricity.
- FCF turned negative to –USD21.5mn from +USD4.7mn in 2Q22 mainly explained by higher other receivable cash outflows (-USD21mn vs. +0.4mn in 2Q22). Capex doubled to USD5.8mn.
- As of June-30th, 2023, GEMSA's total debt was up by +8% qoq to USD1,128mn, while the recourse debt was down 2% qoq to USD666mn. Cash & equiv. + ST investments increased by +96% qoq to USD226mn, covering short-term debt by 25%. GEMSA's net leverage (considering recourse debt) increased to 5.6x, up from 5.2x in LTM1Q23.

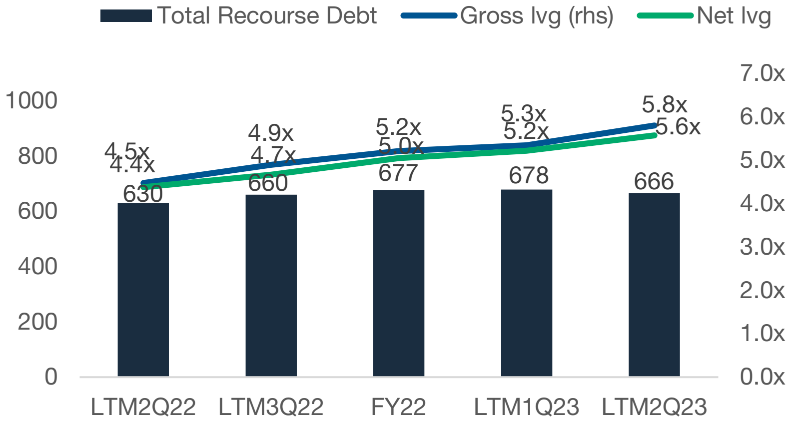
In USDmn



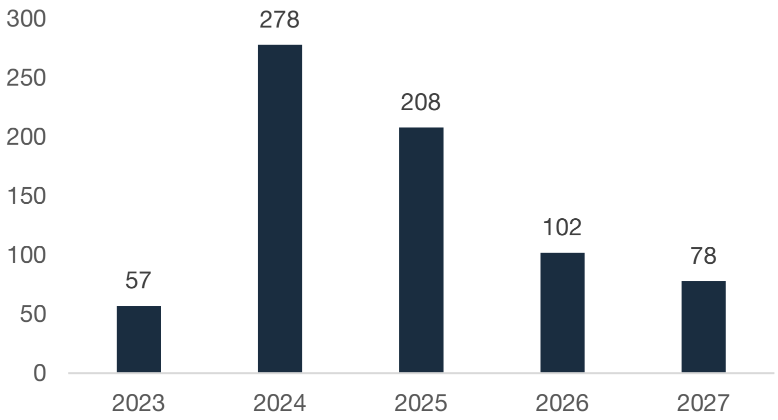
Energy Sold | in GWh



In USDmn



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



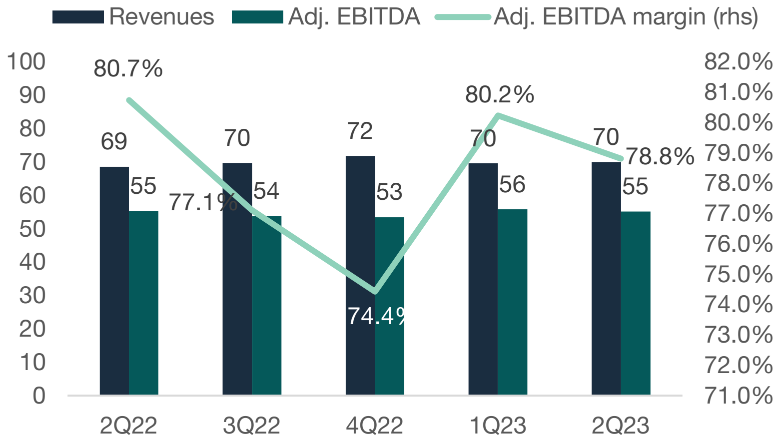
*It only considers recourse debt. Source: TPCG Research based on the company's reports

TPCG

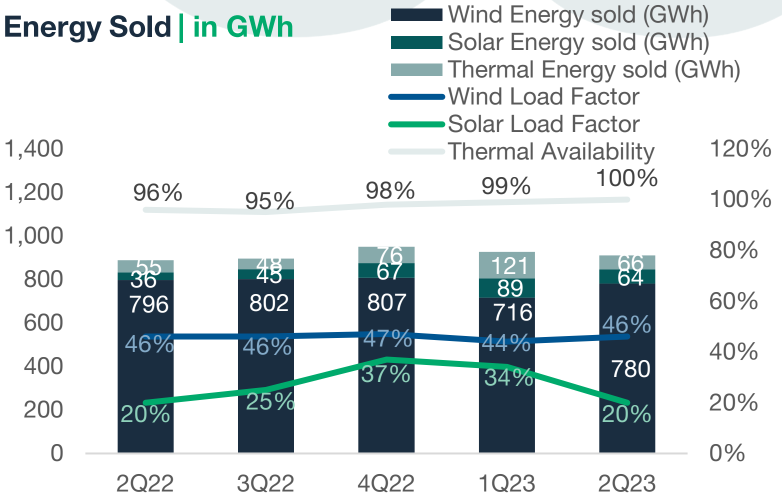
Genneia (GNNEIA)

- In 2Q23, Genneia's revenues were USD70mn (+2.1% yoy). By segment, revenues from electric power generation from renewable sources, which accounted for 81% of total revenues, were up by +2.5% yoy to USD57mn. Revenues from Electric power generation from conventional sources increased by +2.8% yoy to USD11mn.
- Genneia's Adj. EBITDA was flat yoy at USD55mn. The margin was down to 78.8% in 2Q23 from 80.7% in 2Q22.
- Genneia's FCF turned positive to USD9.4mn from –USD11.2mn in 1Q23, due to trade receivable cash outflows were down to –USD0.2mn vs. –USD8.9mn in 1Q23. Capex was up by +110% yoy. However, it was down by 12% qoq to USD36.3mn.
- As of June-30th, 2023, Genneia's total debt (incl. leases) was flat qoq at USD771mn. Cash & Equiv. + ST investments increased by +2.2% qoq to USD161.4mn, covering short term maturities by 91%. Genneia's net leverage was down to 2.8x in LTM2Q23 from 3.1x in LTM1Q23.

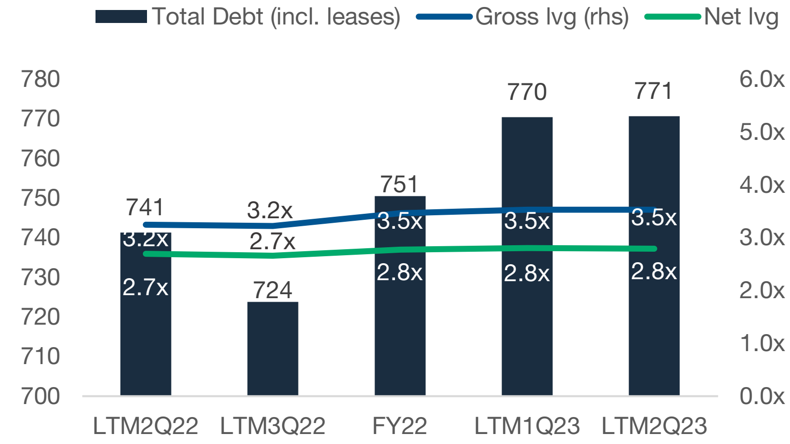
In USDmn



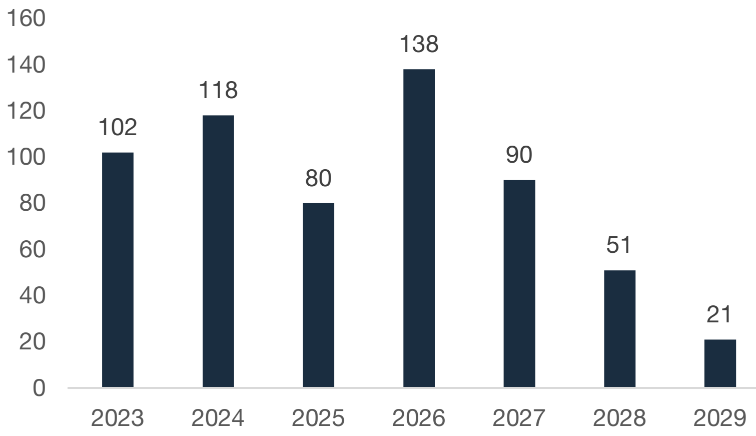
Energy Sold | in GWh



In USDmn



Pro forma maturity schedule | in USDmn

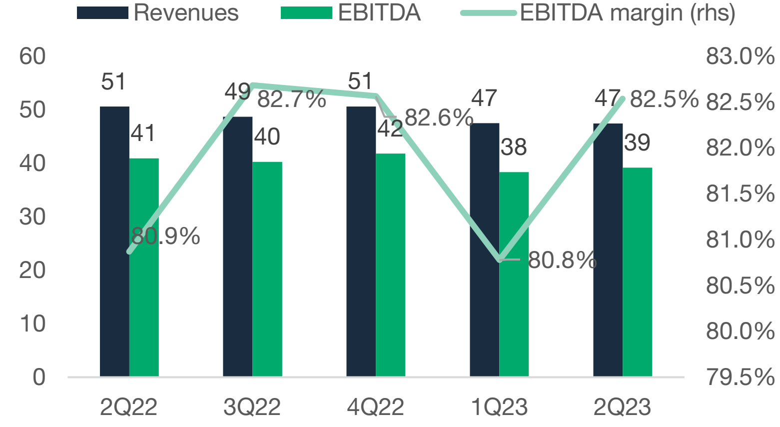


Source: TPCG Research based on the company's reports

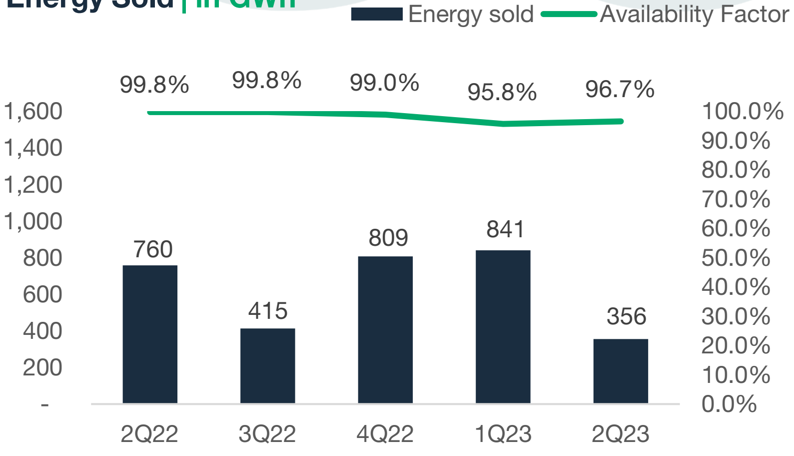
MSU Energy (MSUNRG)

- In 2Q23, MSU Energy's revenues and EBITDA were down by -6.2% and -4.2% yoy to USD47.5mn and USD39.2mn, respectively. Even so, the EBITDA margin improved to 83% from 81% in 2Q22.
- In 2Q23, MSU Energy thermal energy sold was down by 53% yoy to 356GWh.
- FCF was up by +78% yoy to USD40.3mn from USD22.7mn in 2Q22, driven by trade receivable cash inflows of USD7.4mn and trade payable cash inflows of USD2.9mn. Capex stood at USD5.6mn in 2Q23.
- As of June-30th, 2023, MSU Energy's total debt was flat qoq at USD837mn. Cash & equiv. was up by 61% qoq to USD49mn, it only covered ST debt by 38%. MSU Energy's net leverage was down to 4.9x in LTM2Q23 from 5.0x in LTM1Q23.

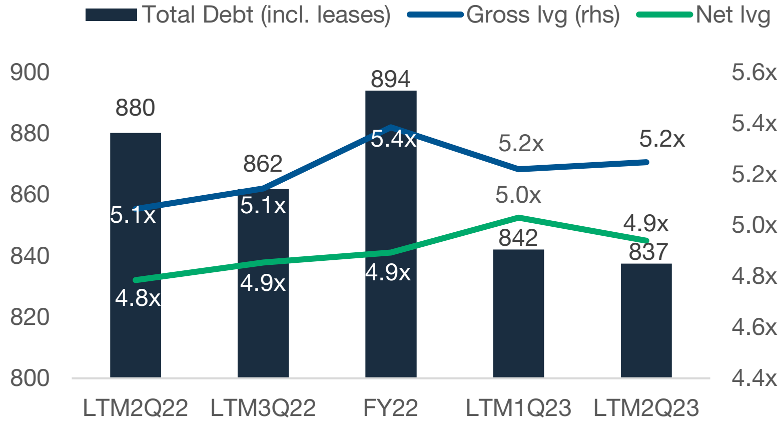
In USDmn



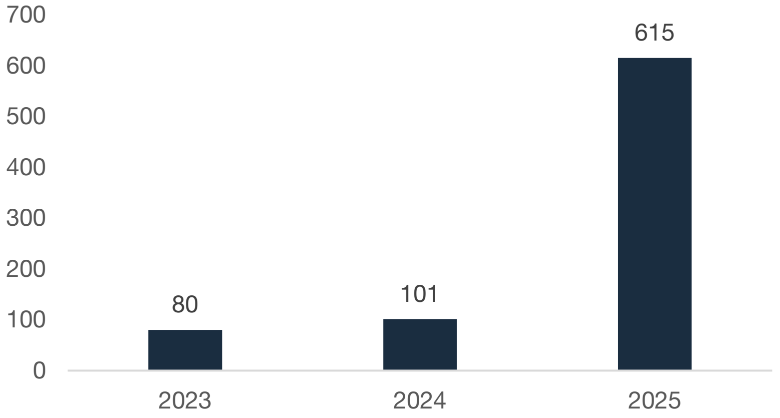
Energy Sold | in GWh



In USDmn



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



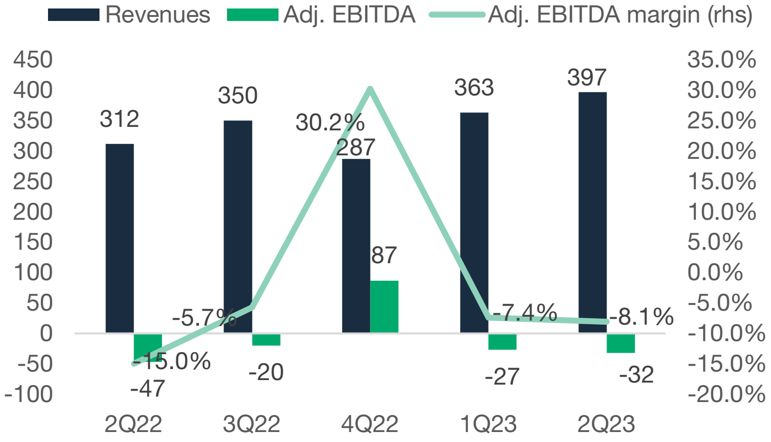
Source: TPCG Research based on the company's reports

TPCG

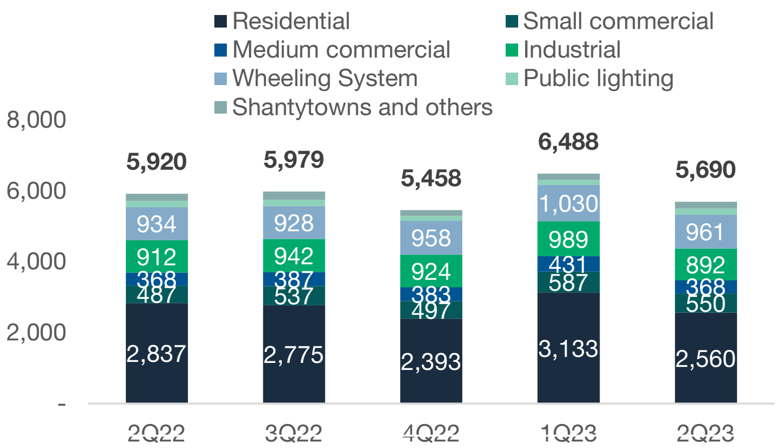
Edenor (EDNAR)

- 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 2Q23, Edenor's revenues were up by 16% yoy to ARS91,940mn (+27% yoy in USD terms to USD397mn). It was driven by the increase in the Value Added Distribution (VAD). Volumes sold were down by 3.9% yoy to 5,689GWh, explained by the higher temperature conditions. The Adj. EBITDA remains in negative ground at –ARS7,415mn (-USD32mn), due to the increase in operating costs.
- FCF was negative at –USD16mn vs. USD31mn in 2Q22, on the back of higher trade receivable cash outflows (+136% yoy to -USD90mn). Capex increased by 48% yoy to USD68mn.
- As of June-30th, 2023, Edenor's total debt was down by 1.7% qoq to USD116mn. Cash & equiv. decreased by 9% qoq to USD164mn, more than covering ST debt of USD1.8mn. The net debt was negative at –USD48mn.

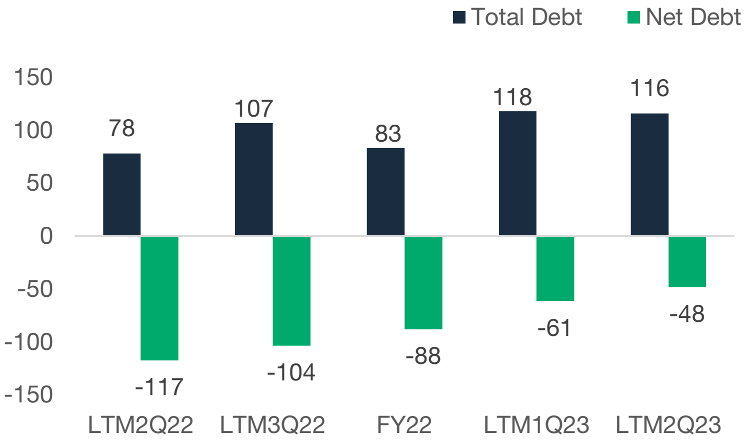
In USDmn



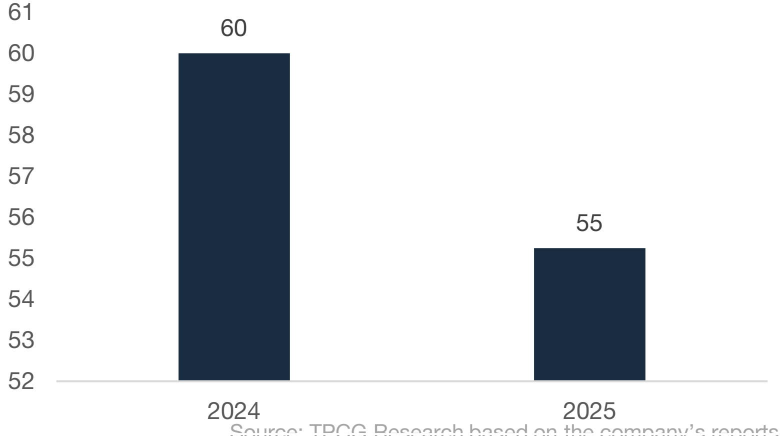
Sales of electricity | in GWh



In USDmn



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



Source: TPCG Research based on the company's reports

TPCG

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

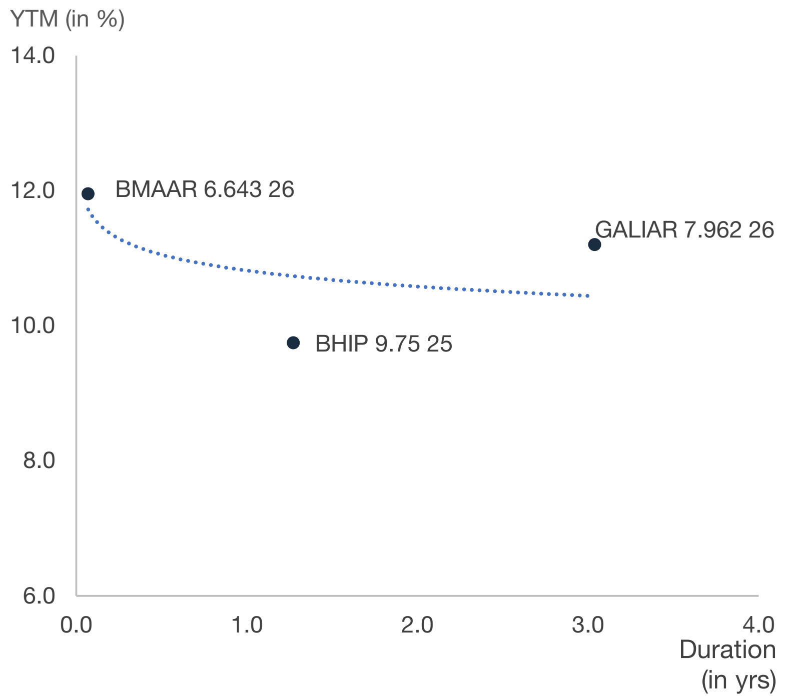
Retail / Telcos / Real Estate

- Telecom
- Arcor
- Mastellone Hermanos
- Aeropuertos Argentina 2000
- IRSA IR

Banks' main figures

Summary financials as of 2Q23.

In ARSmn	Galicia GGAL / GALIAR	Macro BMA / BMAAR
Net Operating Income	**273,027**	**264,123**
Net Income	**51,784**	**44,161**
Net financial margin	28.0%	23.5%
Efficiency ratio (C/I)	52.0%	23.4%
Return on Avg. Equity (ROAE)	30.6%	15.5%
Total Assets	**4,219,600**	**3,180,398**
Loans (net)	**1,423,174**	**893,174**
Deposits	**2,951,801**	**1,902,794**
Total Shareholders' Equity	**733,866**	**742,939**
NPLs / Gross Loans	2.9%	1.4%
Reserves / NPLs	146%	146%
Loans (net) / Deposits	48.2%	46.9%
Liquid Assets / Deposits	137.3%	95.0%
Leverage	5.7x	4.3x
Tier I	21.8%	33.0%
CAR	23.6%	35.9%



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

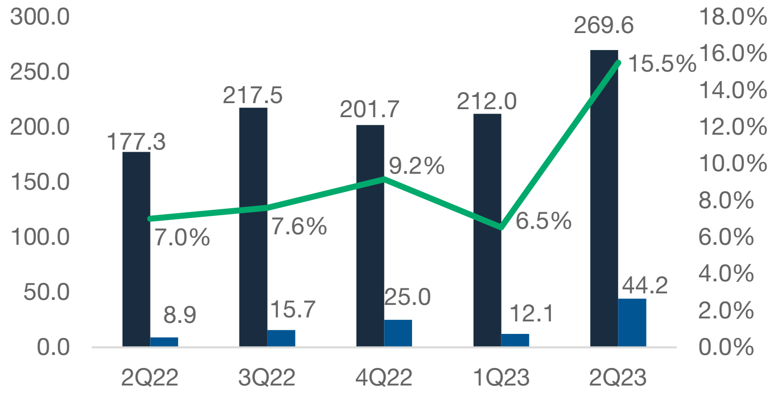
In 2Q23, Banks showed a strong improved in their ROAE. In the case of Banco Macro, it was due to the increase in the stock of financial instruments in FC by +68% qoq. In the case of Banco Galicia, it was due to the increase of NII by +55% qoq on the back of higher interest gains from public securities and promissory notes. The lending portfolio recovered from 1Q23, although it remained below 2Q22 levels.

Asset quality was stable at sound levels. Capital buffers are strong with Tier I above 20%. From our perspective, the profitability improvement seen in 2Q23 will dilute in 3Q23 with the acceleration of inflation. We expect the banking industry to continue in decline because of a further shrinkage of the loan portfolio and becoming more dependent on government securities performance.

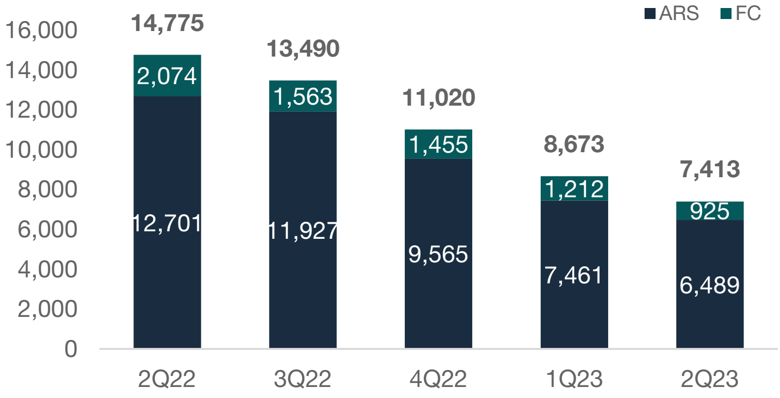
Banco Macro (BMAAR)

- Banco Macro is one of the most profitable banks, with NIM (excl. FX) of 23.5%, C/I of 23.4%, and ROE of 15.5%, mainly explained by the stable, low-cost funding provided by the payroll accounts from 4 provincial governments and SMEs.
- In 2Q23, the net operating income increased by +27% qoq to ARS264,123mn (USD1,029mn), driven by government securities gains going up by +356% qoq to ARS51,885mn (USD202mn). The net income was up +265% qoq to ARS44,161mn (USD172mn).
- Banco Macro's exposure to public sector assets increased 1% qoq to ARS1,325,193mn (USD5,163mn), driven by provincial loans growing to ARS17,739mn from ARS1,157mn in 1Q23. Private sector loans and other financing were up by 3% qoq to ARS893,174mn (USD3,480mn). The NPLs ratio improved to 1.37% from 1.41% in 1Q23.
- Banco Macro's Liquid assets to total deposits stood at 95%, 2pp less than in 1Q23. The LDR was 46.9%, down from 47.7% in 1Q23, as deposits increased at a higher rate than loans, +5% vs. +3% qoq, respectively.
- Banco Macro shows one of the strongest capital buffers, with Tier I and CAR at 33.0% and 35.9%, respectively.

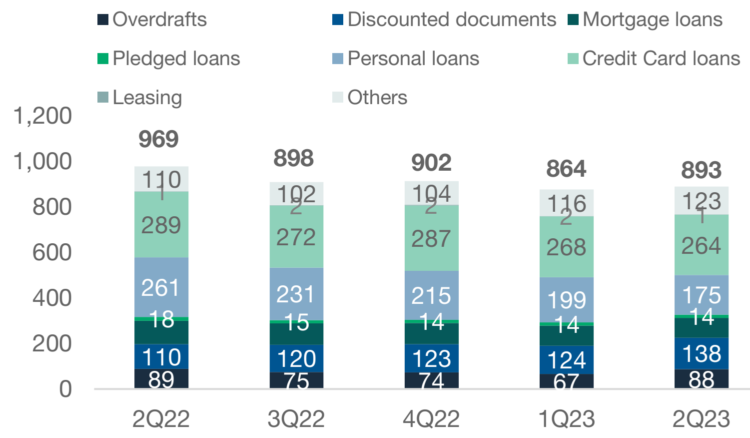
Pre-provision income & Net income in ARSBn | ROE in %



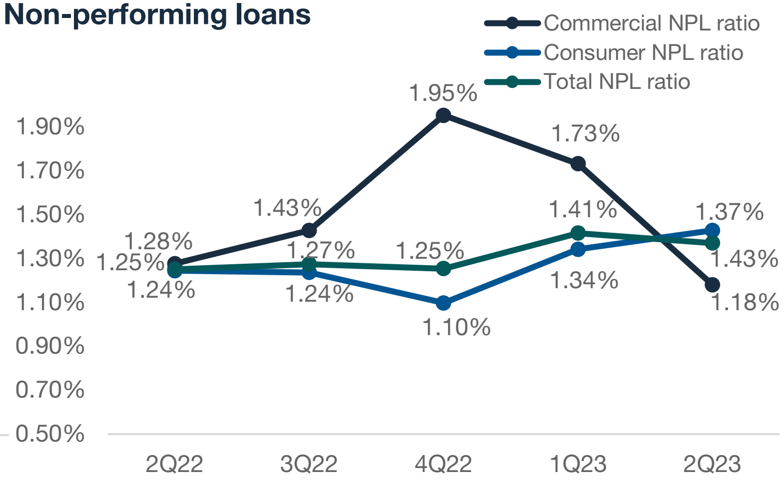
Deposits breakdown by currency | USDmn



Total loan portfolio to the private sector | ARSBn



Non-performing loans



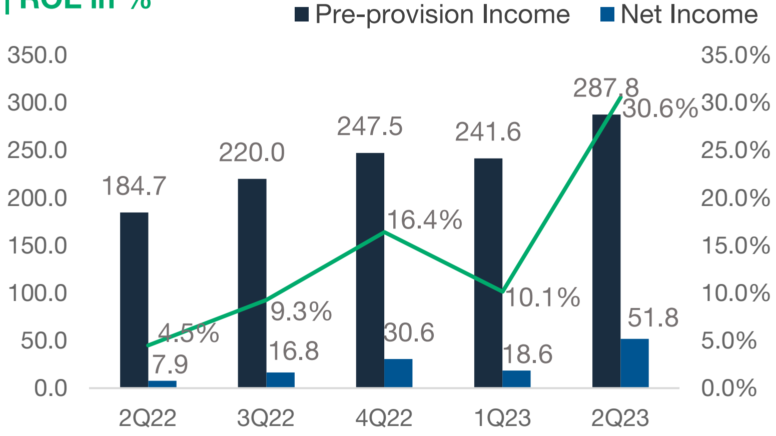
Source: TPCG Research based on the company's reports

TPCG

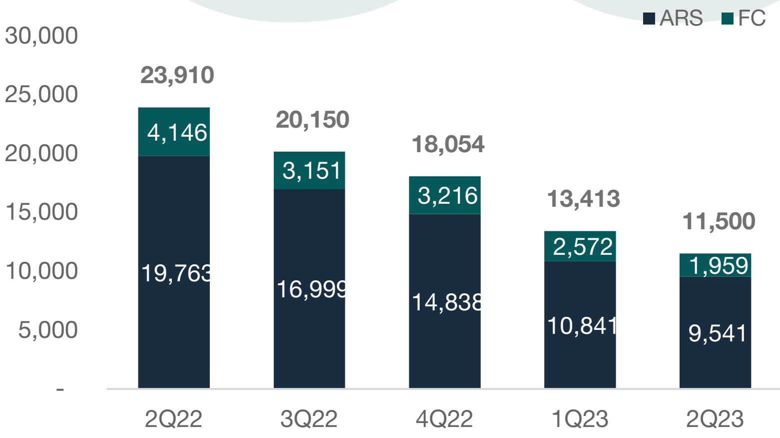
Banco Galicia (GALIAR)

- Founded in 1905, Banco Galicia is the second largest bank in Argentina regarding assets, with a market share of 8.8%. The bank owns 302 branches.
- In 2Q23, Banco Galicia's net operating income was up by +18% qoq to ARS273,027mn (USD1,064mn). The financial margin improved to 28.0% from 23.5% in 1Q23. The NII increased +55% qoq to ARS164,647mn (USD641mn). The C/I ratio was down to 52.0% from 75.4% in 1Q23. ROE was up to 30.6% from 10.1% in 1Q23.
- Banco Galicia's net position in government securities was up by 15% qoq to ARS1,679,172mn (USD6,542mn). In contrast, private sector loans increased by 4% qoq to ARS1,391,644mn (USD5,422mn). The NPLs ratio was flat qoq at 2.88%.
- Banco Galicia's LDR was 47.1% down from 47.7%, in 1Q23, with deposits increasing +5% qoq, +1pp more than loans. Liquid assets to total deposits was 58.0%.
- The Tier I ratio was 21.8% while CAR was 23.6%.

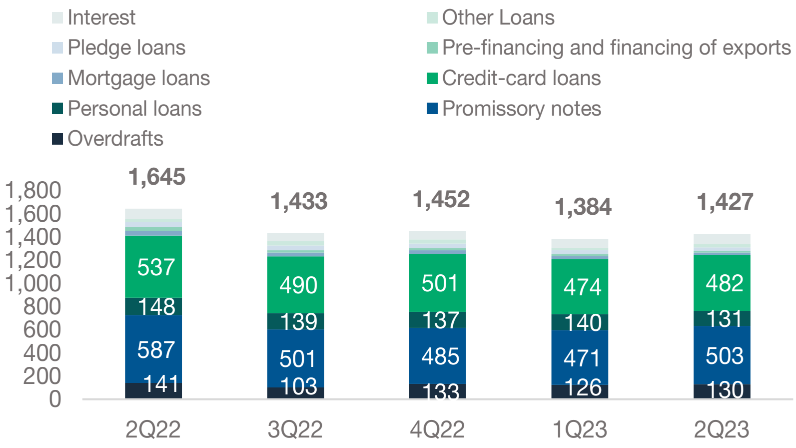
Pre-provision income & Net income in ARSBn | ROE in %



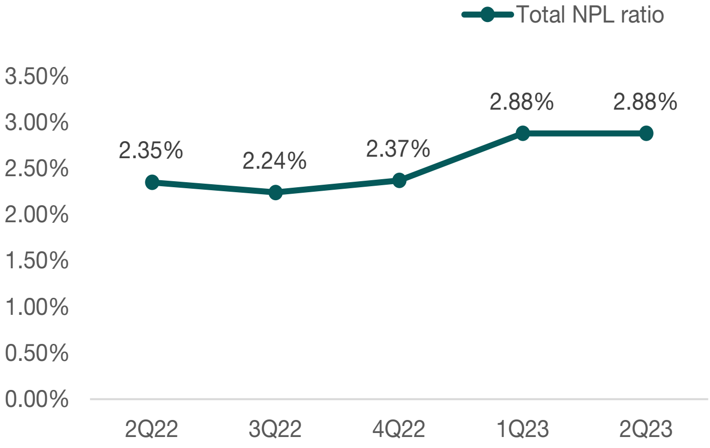
Deposits breakdown by currency | USDmn



Total loan portfolio | ARSBn



Non-performing loans



Source: TPCG Research based on the company's reports

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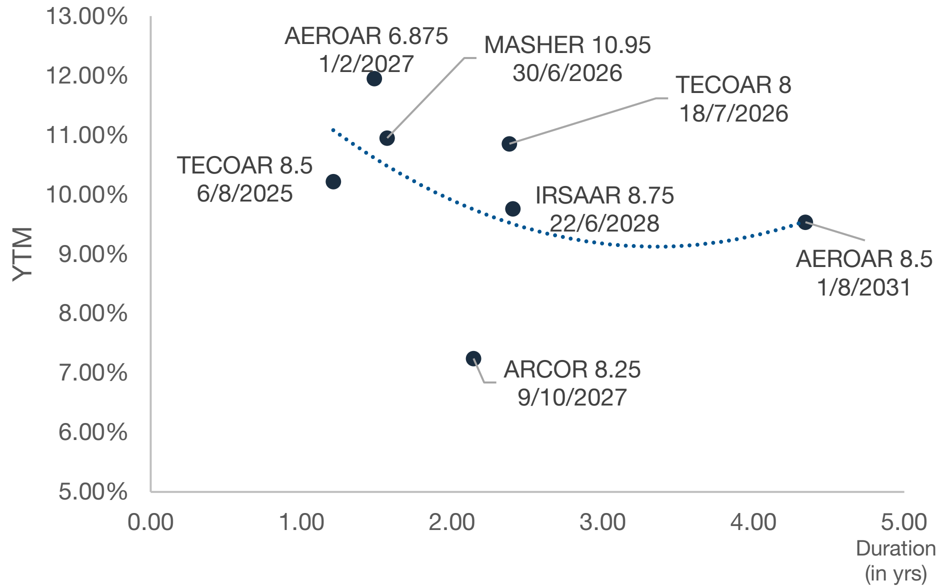
- Banco Hipotecario

Retail / Telcos / Real Estate

- Telecom
- Arcor
- Mastellone Hermanos
- Aeropuertos Argentina 2000
- IRSA IR

Retail / Telcos / Real Estate main figures

	Telecom TECOAR	Arcor ARCOR	Mastellone Hnos. MASHER	AA 2000 AEROAR	IRSA IR IRSAAR
In USDmn	2Q23				4Q23
Revenues	**979**	**910**	**332**	**194**	**88**
EBITDA	**258**	**80**	**9**	**84**	**(2)**
Net Income	**16**	**37**	**12**	**72**	**73**
Gross Margin	-	25.6%	28.9%	41.4%	64.8%
EBITDA Margin	26.4%	8.7%	2.9%	43.3%	-1.7%
Capex	**(121)**	**(20)**	**(4)**	**(45)**	**(14)**
Free Cash Flow	**63**	**25**	**19**	**11**	**19**
Cash & Cash Eq. + ST Investments	**312**	**195**	**45**	**171**	**168**
ST Debt (incl. leases)	**967**	**343**	**58**	**64**	**160**
Total Debt (incl. leases)	**2,896**	**820**	**207**	**697**	**432**
(Cash + ST Investments) / ST Debt	32%	57%	76%	265%	105%
Gross Leverage (incl. leases) (LTM)	2.7x	2.0x	4.7x	2.3x	3.5x
Net Leverage (incl. leases) (LTM)	2.4x	1.5x	3.7x	1.7x	2.1x



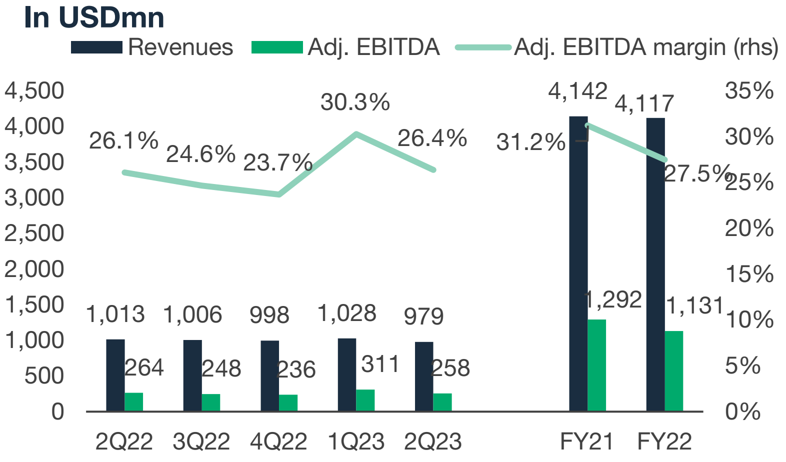
Source: TPCG Research based on the companies' reports, Bloomberg

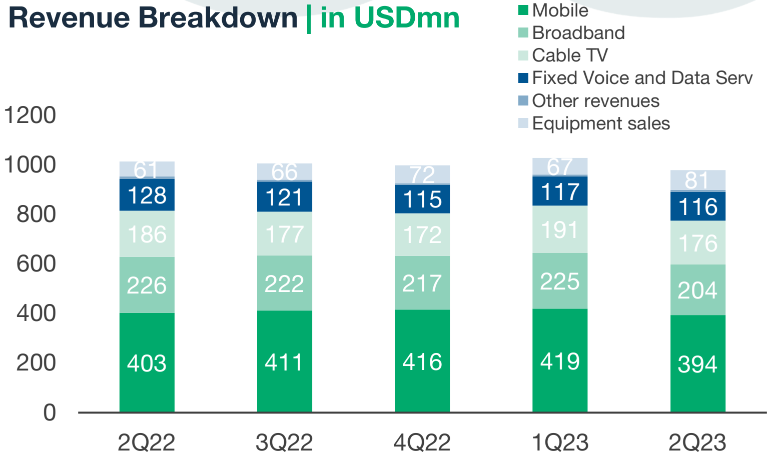
The spike in inflation continued to hurt Telecom, Arcor, and Masterllones' profitability in the period. We expect this deteriorating trend to widen in the coming quarters, especially for Telecom and Mastellone. For TECOAR, it is because 84% of revenues are denominated in pesos and the pass-through is limited. In the case of Mastellone, the inflation effect will add to a lower international price that fell 13% YTD, and 60% from last year's peak.

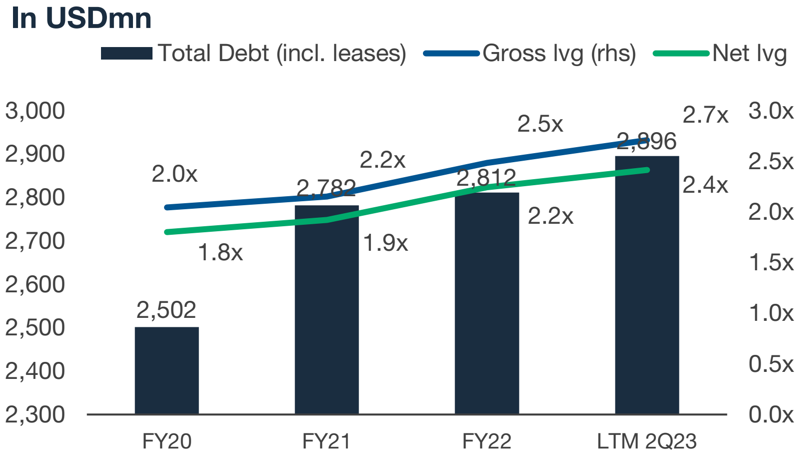
IRSA and AEROAR continued to post strong figures, on the back of solid credit fundamentals. In terms of the first one, given that it benefits from having a liquid dollarized asset portfolio, a manageable debt profile, and posted a sound performance in most segments. Regarding the latter, it will be due to a strong performance in PAX, low leverage, and manageable debt services for the coming years.

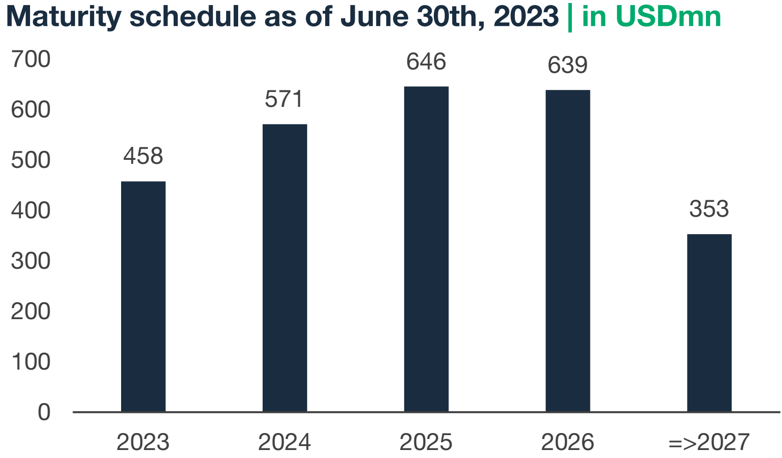
Telecom Argentina (TECOAR)

- In 2Q23 total revenues fell by 8.1%yoy to ARS 251bn (USD 979mn), given that ARPU grew below inflation in all segments but was partially offset by a higher client base (+0.29%qoq; +0.44%yoy). The Adj. EBITDA dropped by 7.2%yoy to ARS 66bn (USD 258mn), dropping at a slower pace than revenue given that the Opex decreased by 8.4%yoy to ARS 185bn. For the 1H23, the revenue and Adj. EBITDA dropped 9.3%yoy and 15.8%yoy to ARS 517bn (USD 2bn) and ARS 147bn (USD 572mn), respectively.
- FCF remained positive at ARS 16bn (USD 63mn) but decreased by 23.3%yoy mainly due to lower FFO, which dropped 13.2%yoy to ARS 55.5bn. For the 1H23 the FCF grew by 3.9%yoy to ARS 36bn (USD 142mn).
- As of June 30th, 2023, the cash & equivalents closed at ARS 80bn (USD 312mn), increasing 9.8% from FY22 and covering 0.32x the ST debt. Total debt closed at ARS 743bn (USD 2.9bn), decreasing by 0.9% from FY22 and representing in USD a net leverage position of 2.4x, from 2.3x in LTM 1Q23. It is worth noting that during July, the company issued USD 180mn in the local market, and paid the sinking of TECOAR25 for USD 116.7mn.





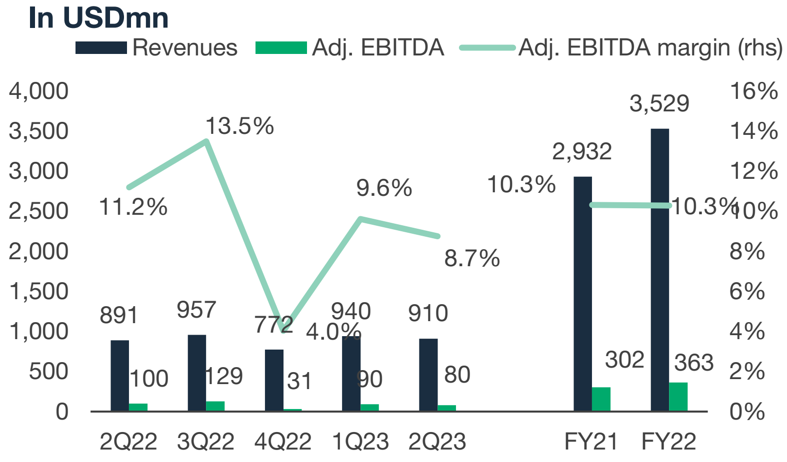


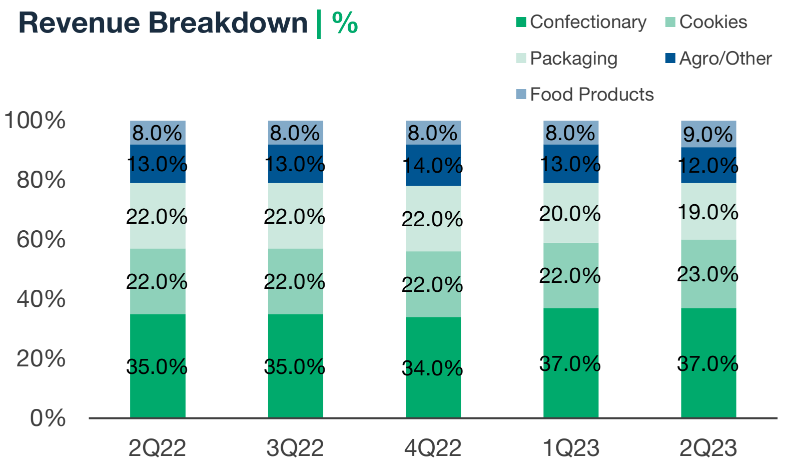


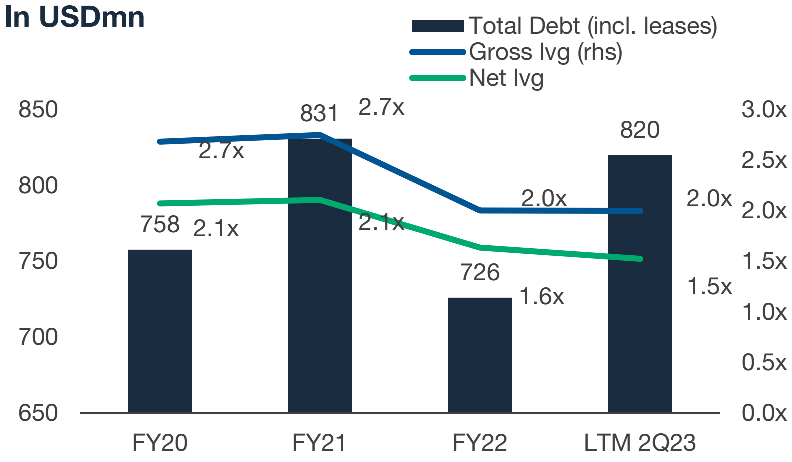
Source: TPCG Research based on the company's reports

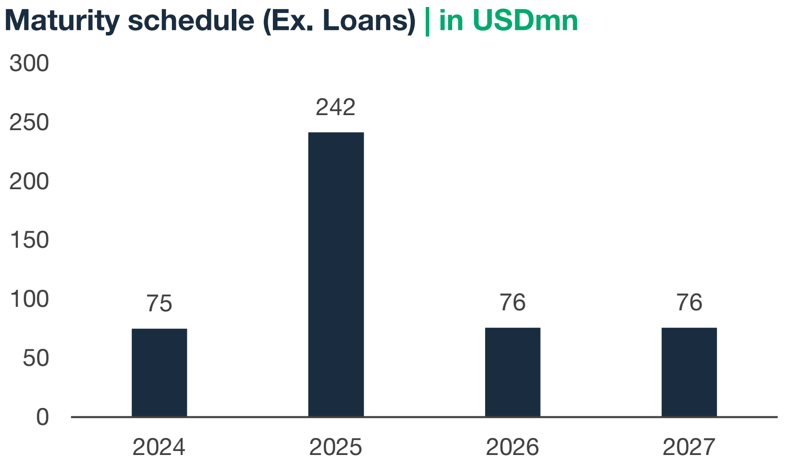
Arcor (ARCOR)

- In 2Q23 total sales dropped by 4%yoy to ARS 233bn (USD 910mn), and the Opex decreased by 1% to ARS 221bn (USD 855mn). The Adj. EBITDA went down by 24%yoy to ARS 20bn (USD 80mn) with the margin narrowing by 2.4ppyyo to 8.8% of revenues. For 1H23, sales and Adj. EBITDA closed at ARS 481bn (USD 1,8bn) and ARS 44bn (USD 172mn), decreasing 2%yoy and 20%yoy, respectively. Sales in Argentina represented 69.8% of the total, with its contribution remaining flat yoy but dopped 0.7%yoy given lower average prices.
- The FCF remained positive at ARS 6bn in 2Q23 (USD 25mn) but decreased 44%yoy given lower FFO. For 1H23, it closed at -ARS 0.8bn from ARS 15bn last year, given lower FFO, higher interest expenses, and capex.
- The cash & eq. closed at ARS 50bn (USD 195mn), increasing 39% from FY22, and covering 0.6x the ST debt. The total debt reached ARS 210bn (USD 820mn), growing by 7% since FY22. In dollar terms, the net leverage position closed at 1.5x, from 1.7x in LTM 1Q23.









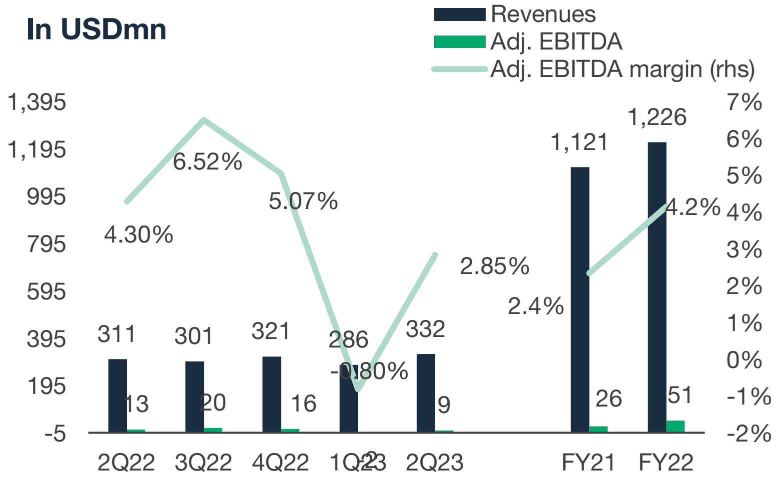
Source: TPCG Research based on the company's reports

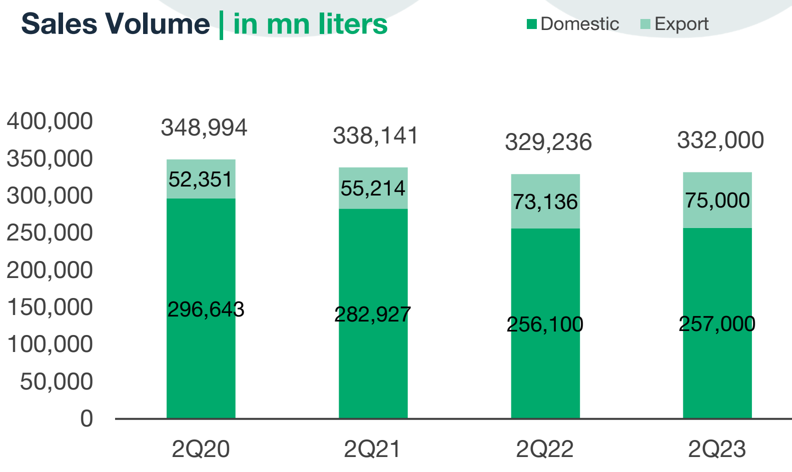
Mastellone Hermanos (MASHER)

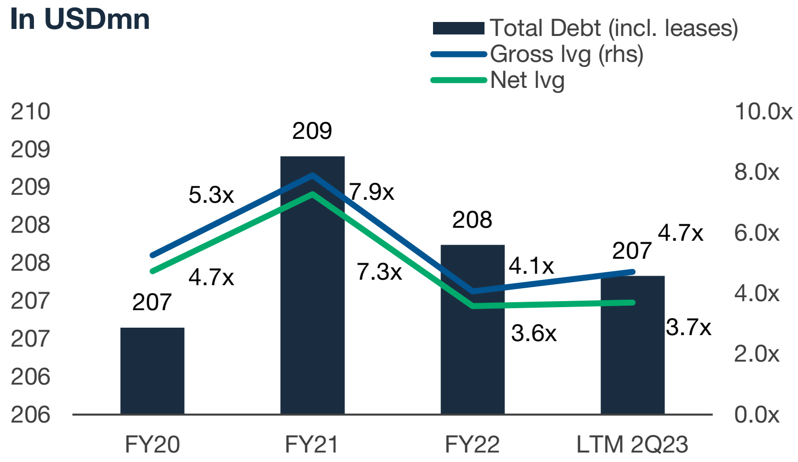
- In 2Q23, Mastellone Hermanos reported total sales at ARS 85bn (USD 332mn), decreasing 1.9%yoy. Domestic sales grew 1.2%yoy and represented 81.7% of the total, increasing its share due to a drop in export sales at around -16%yoy, which ended up representing 16% (-2.7ppyoy). Exports were affected by lower prices. In terms of volumes, total liters climbed to 332 th or +0.8%yoy. The Opex went up by 2.6%yoy to ARS 86bn. The Adj. EBITDA reached ARS 2.4bn (USD 9mn) dropping by 32.7%yoy and resulting in a margin of 2.8% (-1.4ppyoy). For the 1H23, total sales and Adj. EBITDA were ARS 161bn (USD 625mn; -4.2%yoy) and ARS 1.7bn (USD 7mn; -58.3%yoy), respectively.

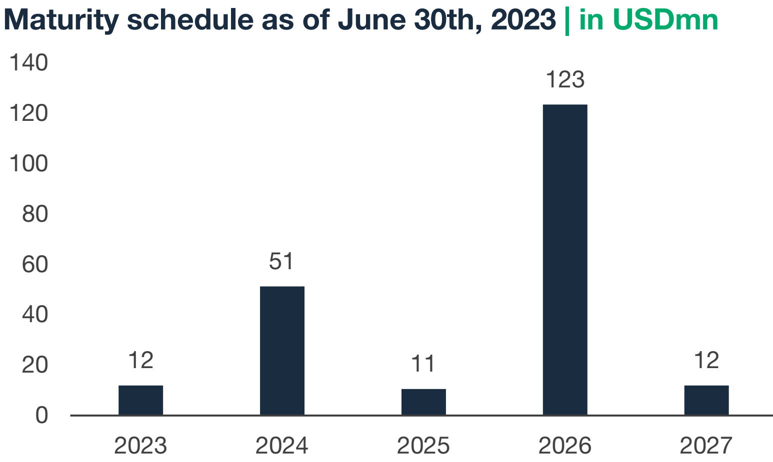
- The FFO closed at ARS 5bn in 2Q23, decreasing close to 5.9%yoy. After a larger positive working capital effect (from ARS 0.6bn to ARS 1.7bn) and lower interest expenses (from -ARS 2.4bn to -ARS1.2bn), the CFO grew by 50%yoy to ARS 5.6bn. Factoring the capex, which increased 41.2% to ARS 1.2bn, the FCF closed at ARS 4.5bn, +51%yoy (USD 18mn). For the 1H23, the FCF closed at ARS 6.4bn, +33.4%yoy (USD 25mn).

- The Cash & Eq. closed at ARS 11.4bn (USD 45mn), increasing 71% from FY22, but covering 0.8x the ST debt. Total debt reached ARS 53.2bn (USD 207mn) and resulted in a dollar net leverage position of 3.7x flat from LTM 1Q23.









Source: TPCG Research based on the company's reports

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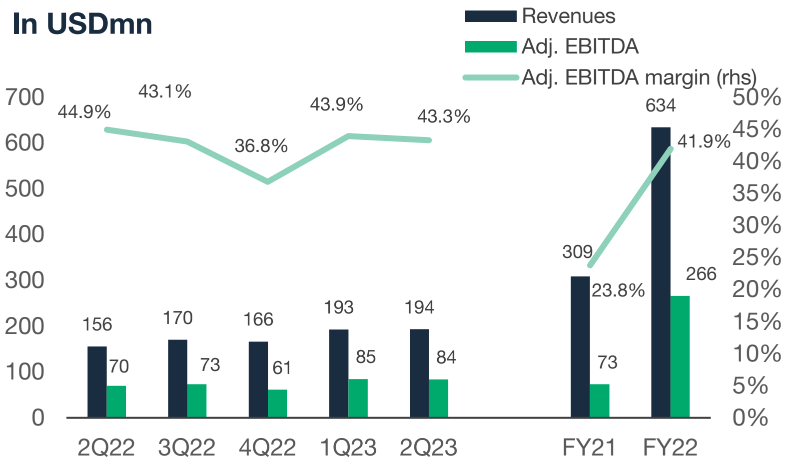
Aeropuertos Argentina 2000 (AEROAR)

- In 2Q23 total sales grew by 16.7%yoy to ARS 49.6bn (USD 194mn), on the back of a continuity in the air traffic recovery. In that sense, total PAX grew by 33.8%yoy to 10.3mn in 2Q23, and increased by 3.6% from 2Q19. Relative to pre-pandemic, the increase is entirely explained by higher domestic figures, as the international PAX remains -13% below (from -36% in 2Q22). The Adj. EBITDA closed at ARS 21.5bn (USD 84mn), increasing 13.8%yoy. The Adj. EBITDA margin slightly narrowed by 1.7ppyoy to 43.3%, given that the Opex grew above the revenue pace at 17.3% to ARS 34bn (USD 133). For 1H23, total sales and Adj. EBITDA grew by 23.6%yoy and 21.7%yoy to ARS 100bn (USD 390mn) and ARS 43.6bn (USD 170mn), respectively.

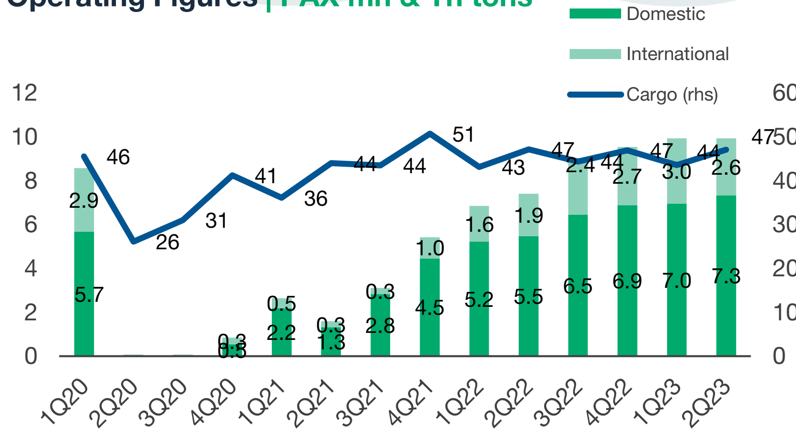
- The FCF turned positive in 2Q23 at ARS 2.8bn (USD 11mn) from -ARS29bn in 2Q22. The change is explained by a lower capex, which was influenced last year by the repurchase of preferred shares, and a positive working capital effect. It closed at ARS 4.9bn (USD 19mn) in 1H23, from -ARS 2bn last year.

- The cash & eq. closed at ARS 43.7bn (USD 171mn), +12% from FY22, and covering 2.7x the ST debt. Total debt closed at ARS 178bn (USD 697mn), decreasing 8% from FY22. In dollar terms, the net leverage position closed at 1.7x, from 1.9x in LTM 1Q23.

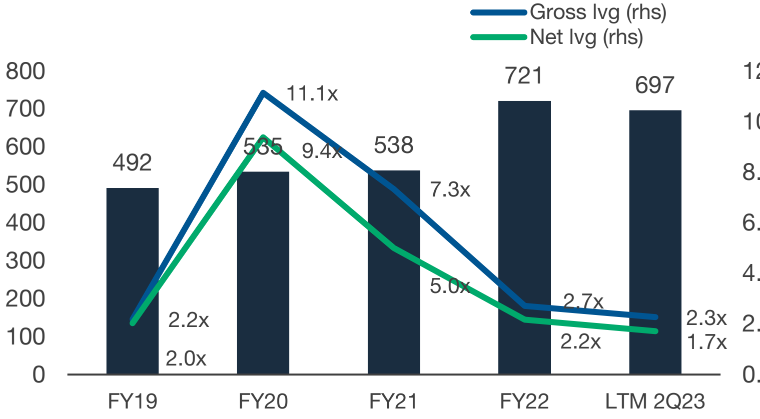
In USDmn



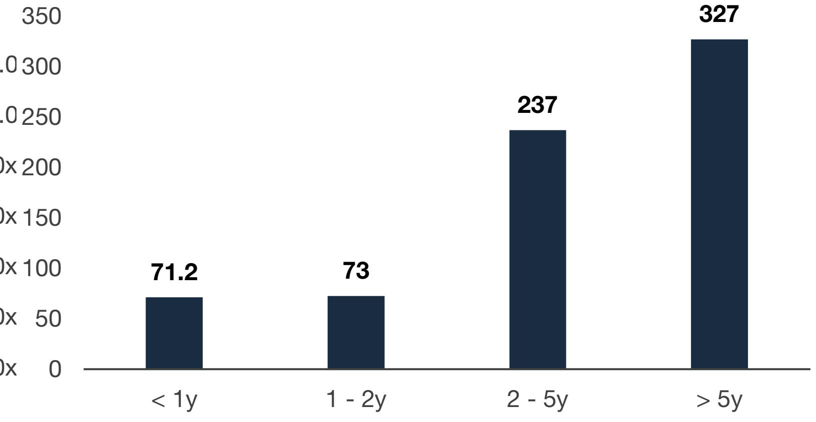
Operating Figures | PAX mn & Th tons



In USDmn



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



Source: TPCG Research based on the company's reports

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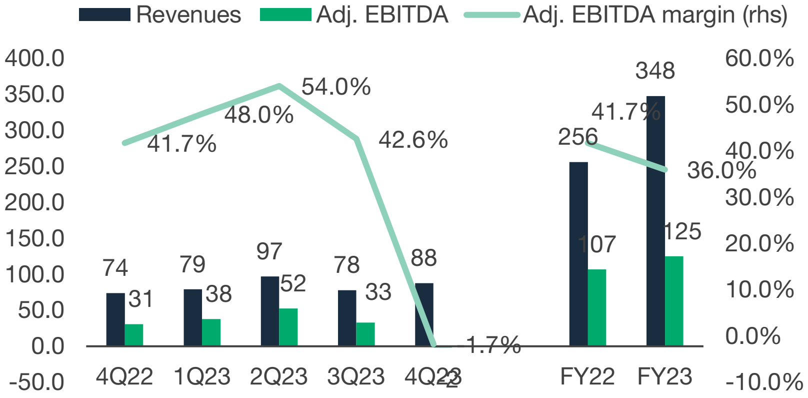
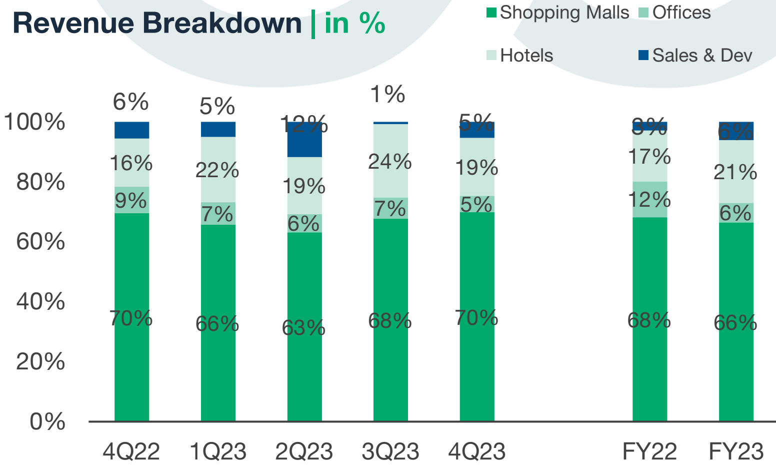
IRSA Inversiones y Representaciones (IRSAAR)

- In FY23 total sales grew by 29%yoy to ARS 89.2bn (USD 348mn) with a strong increase in the Shopping (+27%yoy) and Hotel segments (+61%yoy). The company's EBITDA under our estimations (which excludes the effects of changes in FV of assets, and other G&L) increased by 11%yoy to ARS 32bn (USD 125mn). The company's reported EBITDA dropped by 39%yoy to ARS 59bn. For the 4Q23 period, revenues increased by 13%yoy to ARS 22.5bn (USD 88mn), and the Adj. EBITDA under our estimations turned negative at –ARS 2.6bn.
- In 4Q23, Shopping occupancy grew to 97.4% from 93.1% last year. Office occupancy dropped to 68.7% from 73.3% last year, with rent growing to 25.5 USD/m2. Hotel occupancy grew to 66.8% from 52% last year.
- The FCF dropped by 20%yoy to ARS 42bn (USD 163mn) despite a higher FFO and CFO, given lower sales of investment properties relative to last year.
- The Cash & Eq. closed at ARS 43bn (USD 168mn) covering 1.1x the ST debt. Total debt reached ARS 111bn (USD 432mn) from last year at ARS 164bn, representing in USD terms a net leverage position of 2.1x, from 1.4x in LTM 3Q23. The company expects to distribute around ARS 64bn (USD 180mn) and execute a repurchase program of up to ARS 5bn at a maximum price of 9 USD per ADS.

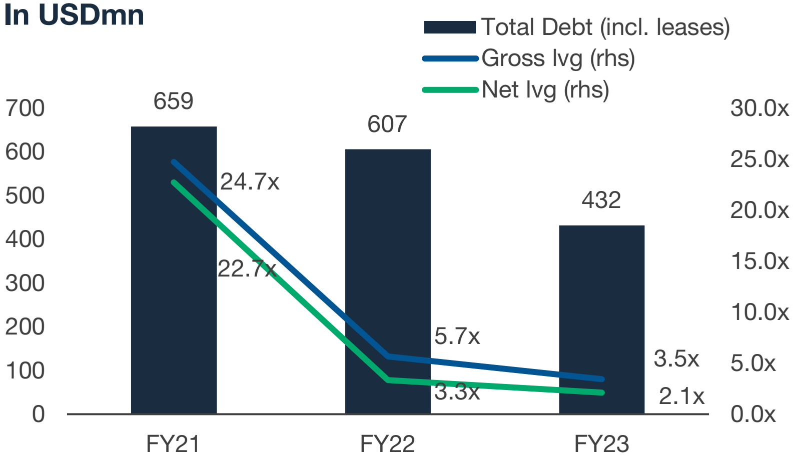
In USDmn



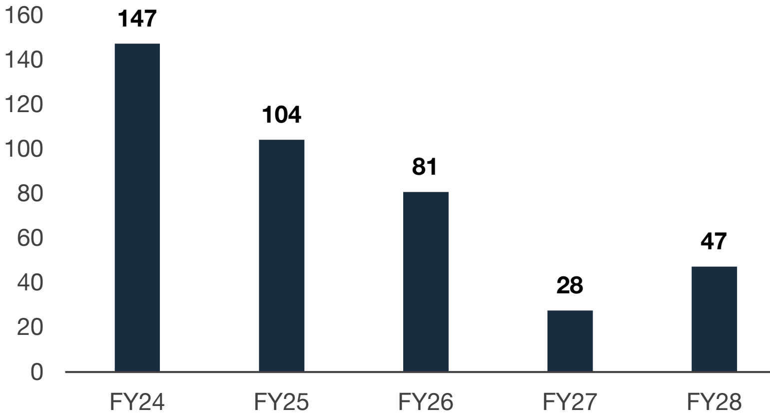
Revenue Breakdown | in %



In USDmn



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



Source: TPCG Research based on the company's reports

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