

## YPF LUZ

### A PERFECT DELEVERAGE TRACK RECORD

#### RECENT EVENTS:

During the third quarter, YPF LUZ achieved higher participation (+6%) in Mercado a Termino de Energías Renovables (MATER). In total, the company has a 39% of the MATER market share for energy sold. It is worth mentioning that the latter makes dollar-linked payments for renewable energy generation. The company will continue in that direction once it has finished the construction of “El Zonda” solar farm which already has a 79% progress and an expected COD in Q2 2023.

Besides that, during the third quarter of 2022, two agreements were signed with General Electric (GE) terminating certain crossclaims held by YPF Luz for issues related to the Loma Campana I and II power plants, and Los Teros I and Cañadón León wind farms. Through these agreements, compensation in favor of the company for a total net value of usd 24.1 mm was agreed upon.

#### THIRD QUARTER 2022 EARNINGS CALL HIGHLIGHTS:

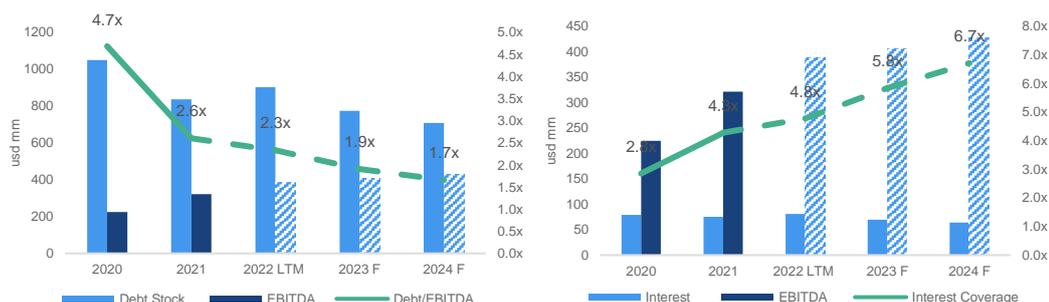
YPF Luz's LTM EBITDA published a 20% increase year-on-year in usd. The company posted an LTM EBITDA of usd 387 mm including the usd 130 mm presented in the third quarter of 2022. Considering the operating results supported by the assets' excellent operating efficiency metrics, we believe the company will continue its deleveraging path once it has finished El Zonda project in Q2 2023.

Finally, during the earnings call YPF Luz confirm they haven't got any new projects in the pipeline but they do not rule out new acquisitions. We consider that the company is achieving full operating capacity and will continue its deleveraging path.

#### CREDIT METRICS Historical and projected credits metrics

The company should have good repayment capacity considering that the debt-to-EBITDA (LTM) ratio is 2.3x and that the company generates ~usd 387mm (at the official fx). Furthermore, the 4.3x interest coverage ratio should reduce the uncertainty of coupon payments.

Although macroeconomic conditions may be difficult considering the 2023 electoral period the company has managed to get COD for all its projects without facing any penalties for delays. The company has achieved many projects financing from different creditors including banks and multilateral entities. As regards YPFLUZ 2026s notes, they rank as senior unsecured with an standard covenants package.



#### OUR RECOMMENDATION

We strongly recommend being overweight YPFLUZ 2026 as it trades at ~usd 80 mid-price with a yield of 17%. Our view is that the bond should go at least to a ~14.8% yield compressing 2.2%. Compared to PAMPAR 2026, YPFLUZ has a similar debt-to-EBITDA ratio and a higher coupon of 10%. The downside on YPFLUZ 2026s over PAMPAR 2026 is that the former has a bullet payment on July 25, 2026.

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