

YPF OIL & GAS

A SOFT QUARTER BUT JUST AS GOOD AS THE PREVIOUS ONE

RECENT EVENTS:

YPF has managed to consolidate at high production levels of 500kboe/d. Shale oil and shale gas are the keys to growth with rates of 48% yoy and 22% yoy respectively. Capex investments will allow YPF to further increase efficiency in the upstream segment metrics. This segment contributes a 60% share of the company's EBITDA, while in second place the downstream segment contributed 33%.

Recently Pablo Gonzalez, YPF's president, announced that the company Petronas (Petroleum Nasional Berhad), a partner of Argentina for seven years, "is now signing an agreement that when the definitive investment is signed will include the construction of a gas pipeline equal to the Néstor Kirchner" of 570 kilometers and with an investment of usd 40 b dollars by 2036, and pointed out that "Argentina is close to exporting natural gas and then to exporting liquefied natural gas". González also informed that they are "moving forward to make YPF's oil pipeline, called Vaca Muerta Sur, which will be an investment of usd 1200 mm that goes from Vaca Muerta to Punta Colorada in the province of Rio Negro".

THIRD QUARTER 2022 EARNINGS CALL HIGHLIGHTS:

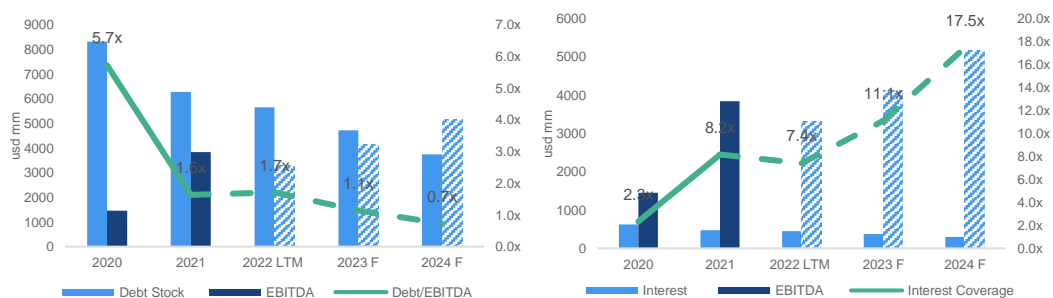
YPF Oil & Gas's LTM EBITDA was 13% below the 2021 figure but the company said that they will be able to achieve the guidance of usd 5000 mm. The third quarter presented good operating results supported by the assets' excellent operating efficiency metrics that will improve because of the capex invested so far. The capex plan will be strong for the next 2 years especially in the midstream segment aimed to solve Vaca Muerta bottlenecks.

CREDIT METRICS Historical and projected credits metrics

The company should have good repayment capacity considering that the debt-to-EBITDA (LTM) ratio is 1.7x and the company generates ~usd 3306 mm. Apart from that, the company reaffirmed their usd 5000 guidance (at the official fx). Furthermore, the 7.4x interest coverage ratio should reduce the uncertainty of coupon payments. Although macroeconomic conditions may be difficult considering the 2023 electoral period and lack of foreign reserves, the company has shown resilience and has managed to get multilateral entities financing to securitize payments (YPFDAR 24s).

We believe the company will succeed at managing its debt services in 2024, 2025, and 2026 thanks to its good operating metrics and its capex plan of usd 1100MM. The company's LTM EBITDA is usd 3306 mm while current cash is usd 1300 mm with the 69%-hedge/dollarized.

As a willing-to-pay demonstration the company is doing everything to give a good signal to the market. First of all, capex investments and, secondly, cash accumulation



OUR RECOMMENDATION

Our view is to be overweight the short end of YPF yield curve (YPFDAR 24s and YPFAR 25s New and Old) together with the first lien collateralized YPFAR 26s. Our take is that although there's a moderate risk of foreign currency shortage for the company (because of the Sov), YPF has tools to mitigate it as we mentioned in YPF Don't Miss the Boat Highlights. We consider that sovereign risk is over punishing the state-owned company-

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