AdCap

CORPORATE CREDIT
RESEARCH

Weekly corporate recap

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Our Picks In Argentine' s Energy, Power And Utilities Companies

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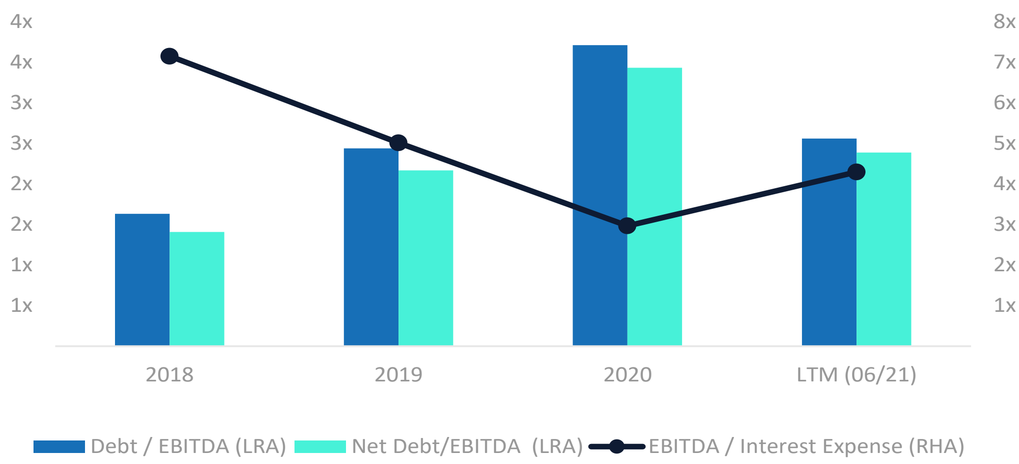
Ahead of the recovery on energy consumption and prices we introduce our picks on the energy segment. On the YPF oil and and gas' curve we see value on the YPFDAR 25s over the rest of the YPF notes, as combines a high current yield with a safer maturity profile. On the other side, we like MSUNRG 25s, which offers an attractive risk reward relative to the rest of power distribution issuances.

- **YPFDAR 25s: the ones selected from the curve**

The company´s recent debt exchange; the recovery of oil prices which fully affected the upstream segment and the improvement in the regulated downstream business segment; led to an interest coverage ratio of 4.3x Ebitda as of July 2021 (see figure 1).

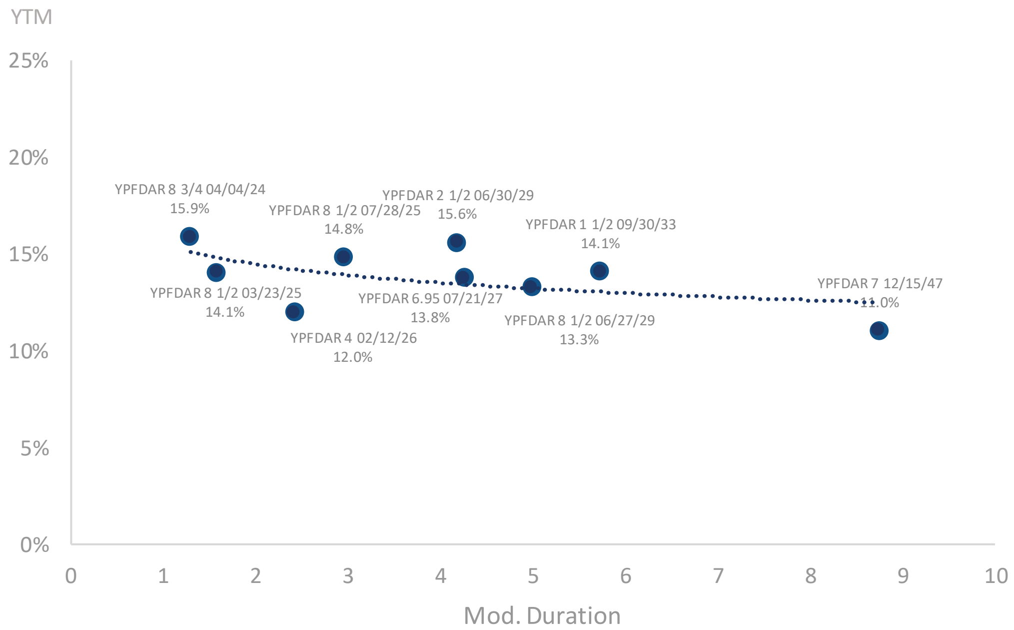
With this in mind, we consider the YPFDAR 25s the best option within YPF oil and gas curve viewing its attractive yield and its principal payment profile. The bond yields 14.8%, just surpassed by the 2024 and 2029 new notes (see figure 2). However, we prefer YPFDAR 25s over the YPFDAR 24s that begin principal payment in 2022 (USD259.7mn) exposing it to be targeted by the central bank in a scenario of stressed international reserves. Additionally, the bond offers a 10.3% current yield, making it more attractive than the YPFDAR 29, whose current yield is at 9.3%.

Figure 1: YPF oil and gas´ historical leverage and interest coverage.



Source: YPF oil and gas' financial statements and AdCap

Figure 2: YPF oil and gas' yield curve



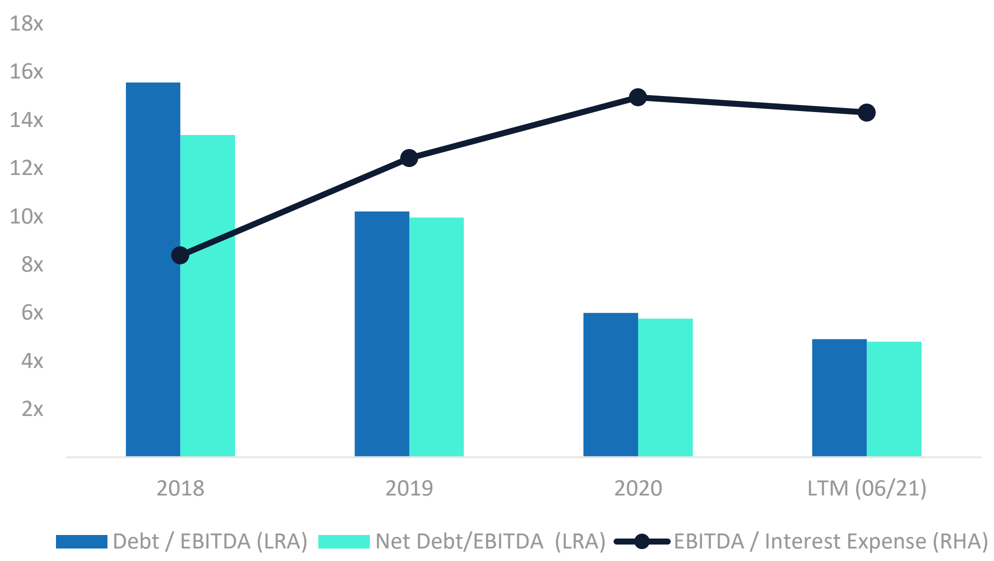
Source: Bloomberg and AdCap

- **MSU Energy' s cashflows stability after completion**

MSU has a highly levered capital structured that will continue to declined now that commercial operation date (COD) for its full 750 MW of installed capacity has been reached (see figure 3). The company concluded its expansion plan through the conversion of its three open-cycle plants to the combined cycle and, as a result, the materialization of its total cash generation capacity. This implies Ebitda would stabilize at around USD200mn considering that its PPAs agreements are fully denominated in USD but will be paid in ARS at the official exchange rate. The good news is that full generation capacity is already contracted at least until 2025. Despite the delay on payments from its main off-taker the Electricity Wholesale Regulator (Cammesa) which remains with an average payment delay of 81 days in the last quarter of 2021, we expect the company's cashflow generation to remain stable. Additionally, MSU has already finished its expansion plans and will only have maintenance capital expenditures of less than the 5% of its PP&E per year.

MSU low debt services until the maturity of the MSUNRGs 25 combined with stability of revenues from PPA sales, lean us to prefer MSU over the rest of the issuances of power generation and utility companies. Although, we acknowledge credit metrics positions the credit below PAMPA and GENNEIA, the additional 477bps and 399bps offered by MSU bond relative to issuances of the former companies more than offtake for its credit quality. Inversely, we see MSU metrics similar YPF Luz, but the latter is still undertaking its investment development plans, which would force the company to keep making capital expenditures.

Figure 3: MSU Energy' s declining leverage footprint



Source: MSU Energy's financial statements and AdCap

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