

September 03, 2024

YPF Energía Eléctrica S.A.

The company is engaged in the generation and commercialization of electricity through a diversified asset base, both geographically and in terms of generation sources. As of 2023, the company represents 8.2% of national generation.

YPF Energía Eléctrica, also known as YPF LUZ, was established in 2013 and is owned by YPF SA. However, in 2018, through a 24.9% capital increase, it brought in the global giant General Electric via its local subsidiary GE EFS Power Investments B.V. Consequently, the remaining equity is composed of YPF SA controlling 72.69% and OPESSA with 2.3%.

Production

The company owns and operates the Tucumán Generation Complex, which includes the Tucumán Thermal Power Plant with a capacity of 447 MW and the San Miguel de Tucumán Thermal Power Plant with an additional 382 MW. In 2018, YPF LUZ expanded the Complex with the El Bracho thermal power plant, which has a capacity of 274 MW and is authorized by the Ministry of Energy to be converted into a combined cycle with a steam turbine adding another 199 MW. Starting from the end of the 2020 cycle, this achieved one of the highest thermal efficiency levels in the country. With the completion of this project, the Tucumán Generation Complex becomes one of Argentina's largest thermal power generation centers with an installed capacity of 1,302 MW.

In 2017, in the Neuquén province, it commercially launched the Loma Campana I and II Thermal Power Plants with a total capacity of 212 MW. Additionally, the company owns and operates the Loma Campana Este Thermal Power Plant with a generation capacity of 17 MW

and holds the Manantiales Behr Thermal Power Plant in Chubut with a capacity of 58 MW.

In Buenos Aires province, in 2018, YPF LUZ purchased the Cogeneration Plant I from Central Puerto with a capacity of 128 MW and won a new cogeneration II project, which was commissioned in 2020 and developed within the YPF Refinery. Finally, in 2023, YPF LUZ exercised its preemptive purchase right on the shares of the controlling company of Central Dock Sud SA, which, combined with the shares it already held, now controls 71.78% of it. The complex includes combined and open cycle turbines, providing a generation capacity of 933 MW.

On the renewable side, in 2018, the company obtained commercial authorization for its Manantiales Behr Wind Farm in Chubut Province with a capacity of 99 MW through 30 wind turbines. This, in combination with the previously mentioned new thermal power plant, constitutes the first hybrid generation system (thermal and wind). Additionally, it owns the Los Teros Wind Farm in Buenos Aires province, with both parks having priority dispatch for MATER at 100% of their capacity. In 2021, it obtained authorization for the Cañadón León Wind Farm in Santa Cruz with a capacity of 123 MW. The company is also constructing new Wind Farms: General Lavalle I and II in Córdoba Province, which will add 155 MW under the MATER contract, and another in Buenos Aires Province with 63 MW under the same contract.

Moreover, in 2023, the first stage of the Zonda Solar Park was inaugurated in San Juan Province, delivering 100 MW. This project could contribute 300 MW but is subject to the availability of local electrical transport. Finally, YPF LUZ is building a new Solar Park in Mendoza Province with an additional capacity of 200 MW under the MATER contract.

Thus, the company owns and operates 11 thermal power plants, which represent 85% of its generation capacity, while the remaining 15% is distributed among three wind farms and one solar park. All its generation contracts are payable in US dollars and have an average maturity of 8 years.

Power Plant	Location	Capacity (MW)	Regulation	Technology	Contract maturity
Central Térmica Tucumán	Tucumán	447	Base Energy / PPA with CAMMESA	Combined Cycle	2028
San Miguel de Tucumán	Tucumán	382	Base Energy / PPA with CAMMESA	Combined Cycle	2028
El Bracho TG	Tucumán	274	PPA with CAMMESA	Open Cycle	2028
El Bracho TV	Tucumán	199	PPA with CAMMESA	Steam turbine	2028
Loma Campana I	Neuquén	105	PPA with YPF	Open Cycle	2032
Loma Campana II	Neuquén	107	PPA with CAMMESA	Open Cycle	2027
Loma Campana Este	Neuquén	17	PPA with YPF	Thermal	2027
La Plata Cogeneración I	Buenos Aires	128	Base Energy / CAMMESA / PPA with YPF	Cogeneración	2033
La Plata Cogeneración II	Buenos Aires	90	CAMMESA / PPA with YPF	Cogeneración	2035
Central Dock Sud	Buenos Aires	933	Base Energy / PPA with CAMMESA	Combined Cycle Open Cycle	2028
Parque Eólico Manantiales Behr	Chubut	99	PPA with YPF and others	Eolic	2036
Parque Eólico Los Teros	Buenos Aires	175	MATER (YPF and others)	Eolic	2040
Central Térmica Manantiales Behr	Chubut	58	PPA with YPF	Thermal	2041
Parque Eólico Cañadón León	Santa Cruz	123	CAMMESA / MATER (YPF)	Eolic	2041
Parque Solar Zonda	San Juan	100	MATER	Solar	2033
Total generation		3.237	Average Maturity		2032

Source: Cucchiara Research based on Financial Statements

Energy Market Context

According to data from CAMMESA¹, during the first half of the year, energy demand fell by 1.53% y/y due to a decrease in commercial demand by 2.26% and industrial demand by 3.78%. This was mainly due to tariff increases and a decline in economic activity, offset by a 0.14% increase in residential demand, which grew by 7.96% in the second quarter due to low temperatures.

In the 6M24, national energy generation increased by 3.43% y/y. This was primarily due to an increase in installed capacity from nuclear sources (+68.36%) and renewables (+12.52%), which together represented 47% of local

generation (including hydro). The remaining 53% was thermal energy, which contracted by 7.85%. The increased generation significantly reduced energy imports and even allowed for greater exports.

During the same period, the average seasonal price fell by 8.9% y/y due to the impact of devaluation on residential tariffs for medium and low-income households. In the first quarter, these had a 73% coverage level through subsidies, which decreased to 64% in the second quarter. Additionally, from June 2024, the Ministry of Energy introduced new price adjustments for all tariff segments.

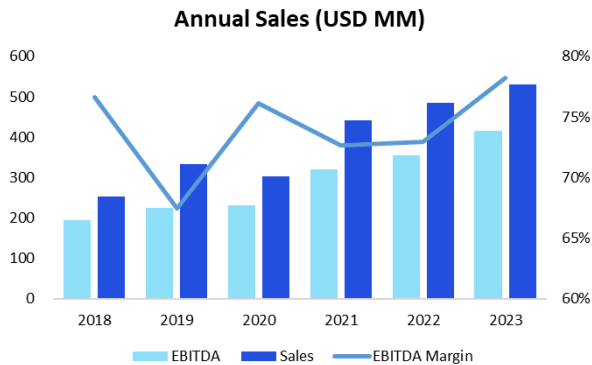
Conversely, due to the change in the fuel matrix, with a greater prevalence of natural gas and less use of liquid fuels and coal, the average production cost for the first six months of the year decreased by 16.7% to USD/MWh 68.85.

Results

The company's revenue comes exclusively from the domestic market but is entirely tied to the exchange rate. Therefore, YPF LUZ adopted the dollar as its functional currency, adjusted for the closing exchange rate for stocks and operations. Consequently, financial statements will be analyzed in dollars, using the official exchange rate (BCRA A3500) average or closing rate as applicable.

At the closure of 2023, sales reached USD 530 MM, representing an average growth of 17% per year over the last five years, consistently with an EBITDA margin above 70%.

¹ Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima ([See](#)).



Source: Cucchiara Research based on Financial Statements

For 2024, first-half sales reached USD 248 MM, reflecting a 2% y/y decrease primarily due to a reduction in energy prices in the PPAs with CAMMESA for the Tucumán Generation Complex and Loma Campana II. Additionally, the El Bracho and Loma Campana I complexes reported lower generation due to maintenance work. This was partially offset by increased energy generation at the Dock Sud Plant and higher sales from the Solar Park.

Production costs increased by 18% y/y due to the inclusion of the Dock Sud Plant in the first quarter. Additionally, the company experienced a negative financial impact from the agreement with CAMMESA regarding the exceptional payment regime through the delivery of sovereign bonds AE38, resulting in a loss of approximately USD 34 MM. Lastly, there was also a negative impact due to higher inflation compared to the devaluation of the exchange rate.

As a result, the company's EBITDA contracted by 23%, significantly affecting its operating margins.

YPF LUZ (USD MM)	6M24	6M23	Var (%)	6M22	Var (%)
Sales	248	253	-2%	234	6%
Cost of sales	136	115	18%	101	35%
Operating costs	23	23	1%	17	37%
Cost of sales / sales	55%	45%	939 bps	43%	1.178 bps
EBITDA	165	216	-23%	176	-6%
Operating profit	86	151	-43%	123	-30%
Net Profit	78	91	-14%	99	-21%
Operating Margin	35%	60%	(2.508) bps	53%	(1.799) bps
EBITDA Margin	66%	85%	(1.867) bps	75%	(886) bps

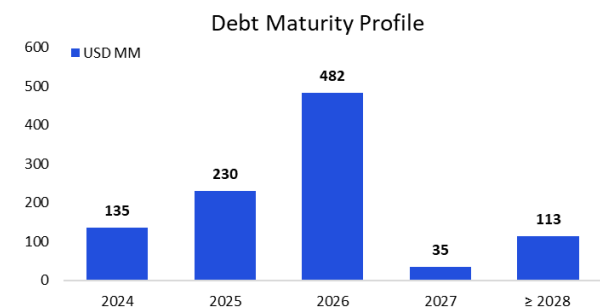
Source: Cucchiara Research based on Financial Statements

Debt Profile

The company has constant access to debt markets with substantial international backing. In 2016, it secured a loan of USD 200 MM from the Inter-American Development Bank (IDB). Since its inception, it has accessed local and international debt markets for approximately USD 1.2 billion.

Total financial debt as of the latest financial statements for June 2024 was USD 1.019 MM, of which 18% corresponds to bank loans and 82% to corporate bonds. Of these, 51% are in pesos adjusted for exchange rate and 49% in hard dollars.

In recent years, the company has taken advantage of various opportunities in the local market, rolling over dollar-linked debt at 0% cost, and in some cases, at negative rates. Thus, YPF LUZ reduced its debt cost from 7.8% in 2021 to 5.5% in 2024 and extended its average maturities to 2.2 years, clearing its debt profile.



Source: Cucchiara Research based on Investors Presentation.

Additionally, in the 6M24, the company reported cash and cash equivalents of USD 260 MM, an increase of 58% y/y. Despite the significant increase in its cash reserves, the effect of the previously mentioned EBITDA drop impacts the leverage ratio, bringing it to 2.3 times. It is worth noting that in recent years, the foreign currency position in its cash has been decreasing. As shown in the table below, the company's

leverage levels are moderate and interest coverage is ample.

YPF LUZ (USD MM)	6M24	6M23	Var (%)	6M22	Var (%)
Total debt	1.019	932	9%	870	17%
Cash & Equivalents	260	164	58%	142	83%
Net debt	759	768	-1%	728	4%
Annualized EBITDA	330	431	-23%	353	-6%
Net leverage	2,3	1,8	0,5	2,1	0,2
Annualized interest	56	52	7%	66	-16%
Interest coverage	5,9	8,2	-2,3	5,3	0,6

Source: Cucchiara Research based on Financial Statements

NY Law Bonds

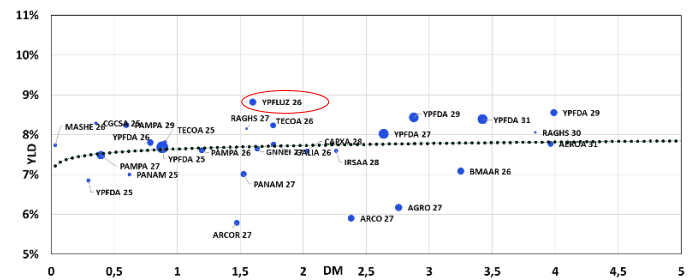
YPF Luz has 7 dollar-linked bonds and three hard dollar bonds, two of which are under Argentine legislation and only one under international legislation. The latter is an unsecured bond with an outstanding amount of USD 400 MM, maturing in July 2026, with a 10% coupon, semi-annual payments, and amortization at maturity. It currently trades clean at levels close to 102%-102.5%, yielding around 8.65%-8.85% and with a duration of 1.7 years. It has a minimum nominal of 1,000.

YPFLUZ 10 07/25/26 Corp.

Bond Description		Issuer Information		Identifiers	
Bond Info		Name		FIGI	
Addtl Info		YPF ENERGIA ELECTRICA SA		BBG00PQMT1Y6	
Reg/Tax		Industry		ISIN	
Covenants		Electric (BCLASS)		USP9897PAB06	
Guarantors		Security Information		ID Number	
Bond Ratings		Mkt Iss		AZ7200258	
Identifiers		Ctry/Reg		Bond Ratings	
Exchanges		AR		Moody's	
Inv Parties		Currency		Caa3	
Fees, Restrict		USD		CCC	
Schedules		Rank		S&P	
Coupons		Sr Unsecured		CCC	
Issuers		Coupon		Composite	
Quick Links		10.000000		CCC-	
ALLQ Pricing		Type		FIX SCR NAT	
ORD or Recap		Fixed		AAA(arg)	
TDH Trade Hist		Cpn Freq		Issuance & Trading	
CACS Corp Action		S/A		Aggregated Amount Issued/Out	
CF Filings		Day Cat		USD	
CN Sec News		ISMA 30/360		400,000.00 (M)	
HDS Holders		Maturity		USD	
Seed Bond		07/25/2026		400,000.00 (M)	
		CALL 09/09/24@102.50		Reporting	
		Iss Yield 10.250		CITI,HSBC,ITAU	
		Calc Type (1)STREET CONVENTION		TRACE	
		Pricing Date 07/18/2019			
		Interest Accrual Date 07/25/2019			
		1st Settle Date 07/25/2019			
		1st Coupon Date 01/25/2020			

Source: Bloomberg

The bond is yielding above the corporate bond yield curve with high credit reputation.



Source: Bloomberg

Outlook

From a production standpoint, the company has a solid productive matrix and growing revenues over time due to its strong investments. Sales have been growing over the years with a high and stable EBITDA margin, which makes us comfortable with the 2026 NY Law bond. Moreover, its strong cash flow adjusted for the exchange rate provides the bond with good currency coverage, while the drive towards energy transformation will allow it to maintain fluid access to international debt markets. We believe that the company's level of leverage does not justify the bond's excess yield over other Argentine names with good credit. Thus, YPFLUZ 2026 is a bond to hold in a portfolio given its excellent yield and coupon above the curve of Argentine corporate bonds.

Kind regards,

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