

## YPF LUZ

### Q3 2023 RESULTS STABLE AND A GREAT BOND TO OVERPASS

#### VOLATILITY IN ARGENTINA

##### RECENT EVENTS:

During the third quarter, YPF LUZ maintained its participation in Mercado a Termino de Energías Renovables (MATER). The company has a 36% 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 has achieved its COD and increased its total capacity from 2483 MW to 3174.

Currently, the company has Parque General Lavalle under construction. It will add 155 MW of wind generation. The expected COD is in the 4th quarter of 2024, while the predicted capex is \$262 MM.

##### 2023 EARNINGS CALL HIGHLIGHTS:

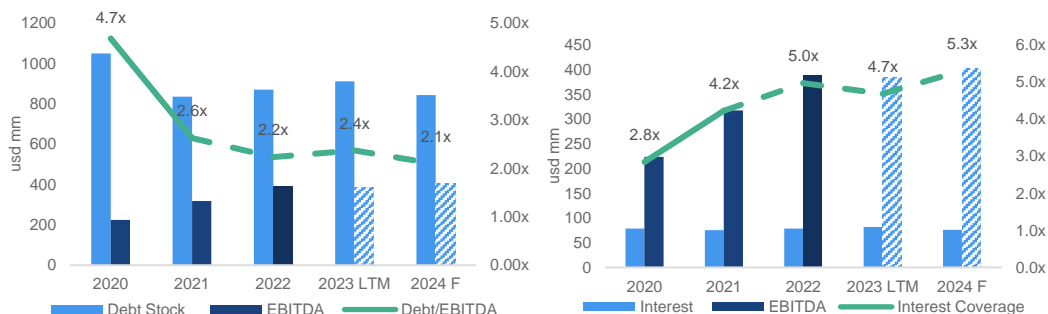
YPF Luz's 2023 LTM EBITDA published a 1% decrease year-on-year in usd. The company posted an LTM EBITDA of USD 384 MM, including the USD 91 mm presented in the fourth quarter of 2022. Considering the results supported by the assets' excellent operating efficiency metrics, the company will continue improving.

We highlight that reference prices were updated according to resolution 612/2023, increasing 50% for non-residential and 10% for high-income-residential users.

##### CREDIT METRICS Historical and projected credits metrics

The company should have good repayment capacity, considering that the debt-to-EBITDA ratio is 2.4x and generates ~USD 384mm (at the official fx). Furthermore, the 4.7x 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 obtained financing for many projects from different creditors, including banks and multilateral entities. Regarding YPFLUZ 2026 notes, they rank as senior unsecured with a standard covenants package.



#### OUR RECOMMENDATION

We recommend being overweight YPFLUZ 26s since it's trading at ~ USD 90.75 with a yield of ~14.20%. Our take is the company may go back to an average yield of ~11.70% if we begin to see slight initiatives to improve macro imbalances by whichever candidate wins.

YPFLUZ is a 10% coupon bullet bond that matches a defensive trade perfectly. The excellent financial metrics and limited credit risk makes this bond a great opportunity to go through the uncertain electoral period.

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