

26 April 2024  
**Pampa Energía**

Pampa Energía is a leading Argentine company in the energy sector. Fully integrated, both directly and through its subsidiaries, it covers almost the entire value chain of gas and electricity in Argentina. The company’s main segments are Electric Generation, Oil & Gas, Petrochemicals, and a Business Holding dedicated to the transportation of electricity and gas.

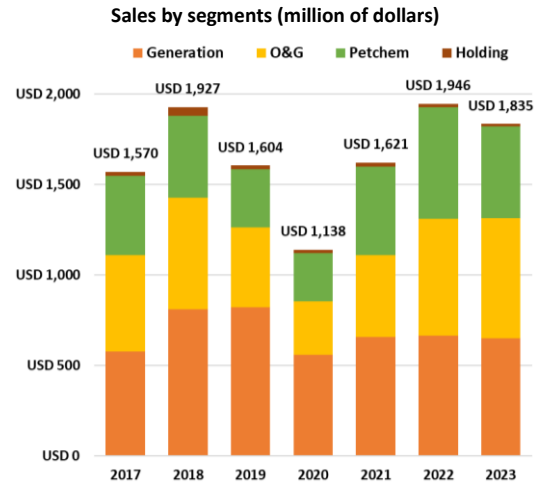
At the close of 2023, Pampa's management, led by Marcelo Mindlin, held 25.7% of the company's shares. The National Social Security Administration retained a 22.5% stake in the capital, while 51.3% was traded on the New York Stock Exchange (PAM) and the Buenos Aires Stock Exchange (PAMP).

**Consolidated results**

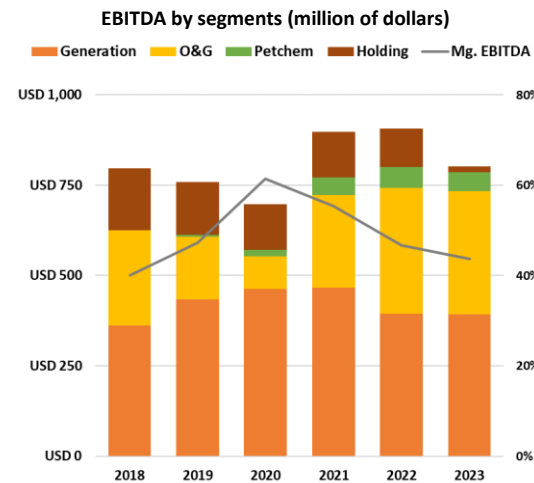
To facilitate analysis, Pampa's financial reports are presented in U.S. dollars, which serve as its functional currency. Consequently, cash flows, assets, and liabilities are denominated in dollars at the prevailing official exchange rate. The most recent financial statements available cover the fiscal year 2023.

As forecast in our [previous report 1Q23](#), revenue in 2023 experienced a decline. This was primarily attributed to diminished petrochemical sales and reduced revenues from generation and holdings, which outweighed the growth in O&G sales. Sales for 2023 declined by 6% compared to 2022, yet they still marked a 13% increase from 2021, maintaining robust historical levels owing to the company's successful expansion efforts. Analyzing business flows, in 2023 Pampa achieved USD 424 million in operating income and USD 802 million in adjusted EBITDA. This represents a decrease of 33% and 12% respectively compared to the previous year. The company suffers from the deterioration of its margins in regulated generation and transportation businesses (holding), exacerbated by reduced international prices in petrochemicals and O&G sales. 2023 meant a year-on-year decrease in the EBITDA margin of 300 basis points. Due to the wide range of

businesses, performance varies among Pampa's segments.



Source: Cucchiara Research based on financial statements.



Source: Cucchiara Research based on financial statements.

Million of dollars	2023	2022	Var (%)	2021	Var (%)
Sales	1,835	1,946	-6%	1,621	13%
Operating Results	424	631	-33%	579	-27%
Operating Margin	23%	32%	-900pb	36%	-1300pb
Adj. EBITDA	802	908	-12%	899	-11%
EBITDA Margin	44%	47%	-300pb	55%	-1200pb

Source: Cucchiara Research based on financial statements.

**Electric Generation**

In 2023, Pampa closed with a 5,332 MW generation capacity, drawing from a mix of energy sources: 3 hydro, 4 wind, and 9 thermal plants. Recent expansions in wind and thermal projects have bolstered its capacity. Pampa now holds 12% of the nation's installed capacity, standing as a top private generator alongside Central Puerto in Argentina.

In 2023, Pampa expanded Ensenada Barragán by 281 MW and started operations at the PEPE IV, adding 81 MW. However, it divested 100 MW by transferring the Mario Cabreiro to Total Austral. In return, Pampa acquired a 45% stake in the Rincón de Aranda oil block, now holding full control. Thermal availability was 92% in 2023, hampered by maintenance and a notable incident at Loma De La Lata (780 MW).

In 2023, energy generation surged by 15% compared to 2022, while sales volume reached 22,029 GWh, marking a 13% increase over the previous year.

Electric Generation	2018	2019	2020	2021	2022	2023
Installed Capacity (MW)	3,871	4,751	4,955	4,970	5,088	5,332
% Marketshare	10.0%	12.0%	11.8%	11.6%	11.9%	12.2%
Generated Energy (GWh)	14,845	15,582	16,470	17,433	18,311	20,979
% Marketshare	10.8%	11.9%	12.3%	12.3%	13.3%	14.9%
Sales (GWh)	15,999	16,266	16,563	18,458	19,468	22,029
Average Price (USD/MWh)	44	58	46	46	39	35
Av. Gross Margin (USD/MWh)	29	32	35	30	23	22

**Source:** Cucchiara Research based on financial statements.

Despite increased volumes, 2023 sales amounted to USD 648 million, down 2% from 2022 and 1% from 2021. This decline was driven by a 10% reduction in prices compared to the previous year, with average prices at 35 USD/MWh and average gross margins at 22 USD/MWh.

At the end of 2023, Pampa's generation was 69% remunerated in pesos under the “Energía base” scheme. The remaining 31% was governed by PPAs with CAMMESA or through direct contracts with private entities, all with prices linked to the USD. Regarding tariff policy, various adjustments were made to the remuneration scheme for “Energía base” during 2023. Resolution 826/22 applied cumulative increases of 25% in February and 28% in August. Then, resolutions 750/23 and 869/23 brought increases of 23% and 28%. These increases were applicable from September and November 2023, respectively. In summary, tariffs were adjusted by about 152% against inflation during the year of 211% and an end-to-end depreciation of 356%. Furthermore, in February Resolution 59/23 invited Combined Cycle Thermal Plants under “Energía base” to subscribe to PPAs with CAMMESA for five years.

Thanks to this, Pampa adhered 1,806 MW to PPAs that began to be remunerated from March 2023.

Due to the strong effects of devaluation and tariff delay, contracts for “Energía base” represented only 32% of sales for the entire segment in 4Q23. PPAs make this segment a resilient business. Adjusted EBITDA for 2023 totaled USD 392 million, only 1% less than the previous year.

Elec. Gen. (Mill. of dollars)	2023	2022	Var (%)	2021	Var (%)
Sales	648	663	-2%	656	-1%
Operating Results	272	336	-19%	350	-22%
Adj. EBITDA	392	395	-1%	467	-16%
EBITDA Margin	61%	60%	100pb	71%	-1100pb

**Source:** Cucchiara Research based on financial statements.

Regarding investments in generation, after the inauguration of PEPE IV, Pampa continues to position itself in wind energy. The firm started the PEPE VI project, which aims to add 140 MW by 2024. The enabling of 95 MW is estimated for 3Q24 and 45 MW in 4Q24. The energy produced will be marketed in the Renewable Energy Term Market (MATER) through USD PPA contracts with private entities.

### Oil & Gas Production

In O&G, Pampa has been consolidating itself as one of the most relevant gas producers in Argentina. The company has a presence in Neuquén and Rio Negro, with 12 productive areas and 5 exploratory areas. In 2023, it was the main producer of tight gas, the third producer of unconventional gas and produced 8% of the total gas consumed in the country.

In the past year, Pampa hit record production, reaching 65.5 thousand barrels of oil equivalent per day (boe/d) of natural gas and oil, with gas accounting for 93% of total hydrocarbon production, up 5% from 2022. By block, 58% of the total came from El Mangrullo (mostly tight gas). Likewise, the performance of Sierra Chata was very remarkable, with production growing by 242% thanks to the outstanding productivity of its shale wells. At the end of the year, productive wells totaled 813 compared to 895 the previous year. Additionally, as mentioned earlier, Pampa acquired the Rincón de Aranda area in

mid-2023, which is not yet in production but shows promising technical prospects near Vaca Muerta.

Pampa's proven reserves at the end of 2023 amounted to 199 million boe, marking an 11% increase from 2022. All proven reserves are situated in Argentina, with 94% being gas reserves and 35% yet to be developed. Additionally, the reserve replacement ratio reached a multiple of 1.8, with the average reserve life calculated at 8.6 years.

O&G	2019	2020	2021	2022	2023
Crude Oil Prod. (Mboe/d)	5.0	4.4	4.7	5.3	4.8
Gas Prod. (Mboe/d)	43.2	40.6	47.1	57.7	60.6
Total Prod. (Mboe/d)	48.2	45.1	51.8	63.1	65.4
Crude Oil Sales (Mboe/d)	5.1	4.6	4.6	5.3	5.0
Gas Sales (Mboe/d)	49.2	42.3	47.8	57.9	60.5
Total Sales (Mboe/d)	54.3	46.9	52.4	63.3	65.5
Crude Oil Av. Price (USD/MBTU)	53.1	39.0	58.8	69.6	66.2
Gas Av. Price (USD/MBTU)	3.0	2.2	3.6	4.2	4.2

Source: Cucchiara Research based on financial statements.

In 2023, O&G sales increased by 3% compared to 2022. The segment benefited from high gas prices in exports to Chile and increased deliveries to CAMMESA driven by commitments under the Gas.Ar Plan linked to the filling of the GPNK Gas Pipeline. O&G exports accounted for 24% of sales, totaling USD 161 million in 2023, values very similar to the previous year. Since October, export sales have been benefited by the Export Incentive Program (PIE), which allowed Pampa partial settlement of exports at the blue-chip swap exchange rate.

Regarding EBITDA, despite the high operational costs in dollars due to high inflation, the segment showed strength once again. Adjusted EBITDA only fell by 2% compared to 2022 and maintains margins above 50%.

O&G (Mill. of dollars)	2023	2022	Var (%)	2021	Var (%)
Sales	666	646	3%	453	47%
Operating Results	140	194	-28%	130	8%
Adj. EBITDA	341	347	-2%	255	34%
EBITDA Margin	51%	54%	-200pb	56%	-500pb

Source: Cucchiara Research based on financial statements.

### Petrochemicals

Pampa owns 2 plants that produce styrene, synthetic rubber, and polystyrene, with an almost 100% market share in the local market. In 2023, the volume sold decreased by 5%, while average prices, affected

by the drop in international prices, plummeted by 15%.

Petchem	2019	2020	2021	2022	2023
Total sales (Mtn)	343.3	336.7	417.3	421.5	405.0
Styrene & Polystyrene (Mtn)	99.3	94.4	114.5	113.5	111.7
Synthetic Rubber (Mtn)	26.9	37.3	49.3	45.8	43.2
Reformate & Others (Mtn)	217.0	205.0	253.5	262.1	250.2
Av. Price (USD/tn)	934	786	1175	1464	1251

Source: Cucchiara Research based on financial statements.

Sales experienced a significant decline, dropping by 18% compared to 2022. 29% of total sales were exports. As a consequence, EBITDA decreased by 10%, but without impacting margins.

Petchem (Mill. of dollars)	2023	2022	Var (%)	2021	Var (%)
Sales	507	617	-18%	490	3%
Operating Results	45	52	-13%	45	0%
Adj. EBITDA	53	59	-10%	50	6%
EBITDA Margin	10%	10%	100pb	10%	0pb

Source: Cucchiara Research based on financial statements.

### Holdings

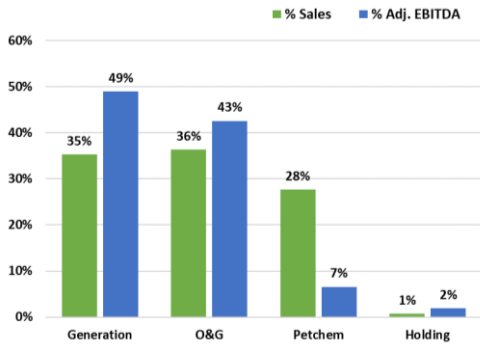
Pampa holds 29.3% of Transportadora de Gas del Sur and 26.3% of Transener. TGS is the largest gas transporter in the country, the second-largest LPG processor, and operates as midstream in Vaca Muerta ([see our latest TGS report](#)). Meanwhile, Transener operates over 80% of the country's high-voltage transmission network thus its revenues depend exclusively on tariff policy. The adjusted EBITDA of this segment plummeted in 2023, being 85% lower compared to 2022. The strong devaluation diluted the inflation-adjusted results of TGS and Transener.

Holding (Mill. of dollars)	2023	2022	Var (%)	2021	Var (%)
Sales	14	20	-30%	22	-36%
Operating Results	-33	49	-167%	54	-161%
Adj. EBITDA TGS	63	119	-47%	123	-49%
Adj. EBITDA Transener	13	11	18%	14	-10%
Adj. EBITDA	16	107	-85%	127	-88%

Source: Cucchiara Research based on financial statements.

O&G has taken the largest share of the company's operations, rising from representing 23% of EBITDA in 2019 to 43% in 2023. Conversely, during the same period, generation decreased from being 57% to 49% of Pampa's EBITDA.

Contribution by segment 2023 (% total)

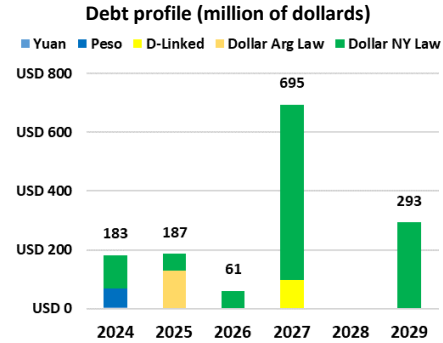


Source: Cucchiara Research based on financial statements.

### Debt Profile

By the close of 2023, financial debt stood at USD 1,448 million. The majority, 94.5%, was denominated in dollars, 5.1% in pesos, and the remaining 0.4% in Chinese yuan. Corporate bonds comprise 93% of the debt: 75% in hard dollar under NY law, 9% in Argentine law, 7% as dollar-linked, and the remaining 2% in pesos at BADLAR rates. Bank loans and advances constitute the remaining portion. The debt decreased by 10% from 4Q22 and by 12% from 3Q23. This reduction stemmed from the derecognition of the wind farm-associated debt, increased debt cancellation during rollover, and the peso debt's devaluation impact.

In 2023, Pampa issued new bonds in pesos and dollars under Argentine law. The company also reopened its dollar-linked bond at a 0% rate. Taking advantage of the surplus exchange rate coverage resulting from the exchange restrictions, the company issued debt at a very low cost. Thus, the new debt profile reached an average maturity of 3.2 years. The average interest rate for NY Law remained at 8.4%.



Source: Cucchiara Research based on institutional presentation.

Net debt also decreased, it reached USD 616 million in 4Q23, 33% less compared to 4Q22. The lower indebtedness was accompanied by a 20% increase in cash and financial assets. According to estimates, 79% of liquid assets were denominated in dollars.

Considering the net debt in 4Q23 and the accumulated adjusted EBITDA in 2023, the company reduced its net leverage to 0.8x. This level of debt is very low, considering the capital requirements necessary for the energy sector. In addition, looking at the annual interest payments, interest coverage increased to 7.4x, improved by the debt rollover achieved at lower rates.

Million of dollars	4Q2023	3Q2023	Var (%)	4Q2022	Var (%)
Financial Debt	1,448	1,641	-12%	1,613	-10%
Cash and Fin. Assets	832	960	-13%	696	20%
Net Debt	616	681	-10%	917	-33%
Adj. EBITDA	802	897	-11%	908	-12%
Net Debt/Adj. EBITDA	0.8	0.8	0.0	1.0	-0.2
Interest	109	134	-19%	165	-34%
Adj. EBITDA/Interest	7.4	6.7	0.7	5.5	1.9

Source: Cucchiara Research based on financial statements.

### NY Law Corporate Bonds

PAMPAR 9 ½ 12/08/26 has three installment payments beginning in Dec-2024. Its duration is 1.4y with outstanding USD 293 million. It has a minimum of one and trades at 103.5% with a yield of 7.1%.

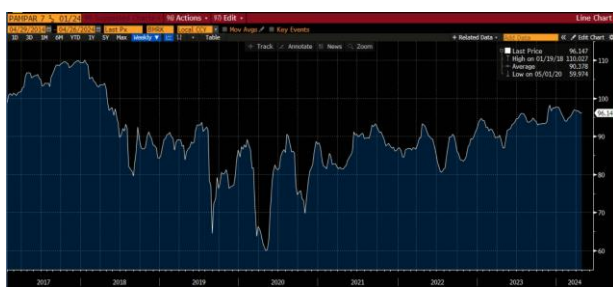
Bond Description	Issuer Description	BI Credit Research	BICC
<b>Pages</b>			
<b>Bond Info</b>			
Name PAMPA ENERGIA SA			
Industry Electric (BCLASS)			
Security Information			
Mkt Iss EURO-DOLLAR			
Ctry/Reg AR			
Currency USD			
Rank Sr Unsecured			
Series REGS			
Coupon 9.500000			
Type Fixed			
Cpn Freq S/A			
Day Cnt ISMA-30/360			
Iss Price			
Maturity 12/08/2026			
Aggregated Amount Issued/Out			
USD 292,796.84 (M) /			
USD 292,796.84 (M)			
Min Piece/Increment			
1.00 / 1.00			
Par Amount			
1.00			
Book Runner			
Reporting			
TRACE			
ISS'D IN EXCH OF CUSIP 71647XAA5/ISIN USP7873PAE62. REDM @ >100%			
MWC&T+50BPS TO AN/ASSUMED FULL REPAYMENT ON 12/8/24 @ A WGHTEG \$ OF ...			



Source: Bloomberg.

PAMPAR 7 ½ 01/24/27 has minimums of 150k. Outstanding of USD 636 million. A bullet bond with duration 2.4y. It trades at 96.5% with a yield of 8.7%.

Bond Description	Issuer Description	BI Credit Research	BICC
<b>Pages</b>			
<b>Bond Info</b>			
Name PAMPA ENERGIA SA			
Industry Electric (BCLASS)			
Security Information			
Mkt Iss EURO-DOLLAR			
Ctry/Reg AR			
Currency USD			
Rank Sr Unsecured			
Series REGS			
Coupon 7.500000			
Type Fixed			
Cpn Freq S/A			
Day Cnt ISMA-30/360			
Iss Price			
Maturity 01/24/2027			
Aggregated Amount Issued/Out			
USD 750,000.00 (M) /			
USD 635,990.00 (M)			
Min Piece/Increment			
150,000.00 / 1,000.00			
Par Amount			
1,000.00			
Book Runner			
Reporting			
CITI,DB			
TRACE			
Coupon Paid Date			
08/10/2020			



Source: Bloomberg.

PAMPAR 9 ½ 04/15/29 has an outstanding of USD 293 million and its trading minimums are 150k. The bond trades at 101%, providing a yield of 9.2%.

Bond Description	Issuer Description	BI Credit Research	BICC
<b>Pages</b>			
<b>Bond Info</b>			
Name PAMPA ENERGIA SA			
Industry Electric (BCLASS)			
Security Information			
Mkt Iss EURO-DOLLAR			
Ctry/Reg AR			
Currency USD			
Rank Sr Unsecured			
Series REGS			
Coupon 9.125000			
Type Fixed			
Cpn Freq S/A			
Day Cnt ISMA-30/360			
Iss Price			
Maturity 04/15/2029			
Aggregated Amount Issued/Out			
USD 300,000.00 (M) /			
USD 292,525.00 (M)			
Min Piece/Increment			
150,000.00 / 1,000.00			
Par Amount			
1,000.00			
Book Runner			
Reporting			
JOINT LEADS			
TRACE			
ISS'D IN EXCH OF CUSIP 71647XAA5/ISIN USP7873PAE62. REDM @ >100%			
MWC&T+50BPS TO AN/ASSUMED FULL REPAYMENT ON 12/8/24 @ A WGHTEG \$ OF ...			



Source: Bloomberg.

Perspective

At the outset of its administration, the new government decreed a one-year energy emergency. The decree pledged to impose new tariffs for public services and to maintain them in real terms to ensure long-term provision. The commitment also encompasses the enactment of the Comprehensive Tariff Review (RTI) for electricity and natural gas transportation and distribution.

As the hearings progressed, the new Secretary of Energy implemented significant increases of 179.7% and 191.1% for Transener and Transba tariffs, respectively, in February. These increases were accompanied by the establishment of an index that factors in salaries, wholesale prices, and consumer prices to adjust tariffs from May onwards. Similarly, at the end of March, the regulator released new tariff tables for TGS, with a substantial increase of 675% effective from April, also adjustable by the same index. Regarding generation, the government updated the remuneration for "Energía base" in February, resulting in a 74% increase.

Credit risk at Pampa is among the lowest in the local market, with a Net Leverage of 0.8x, demonstrating its excellent financial expertise to grow without

increasing leverage. The company has no significant commitments until 2027, and its business diversification is a major advantage. For current holders, we recommend maintaining positions, particularly favoring maturities in 2027 and 2029 for their duration extension premium. Our foreign custody corporate bond fund assigns a weight of 14.4% to Pampa, while our local dollar fixed-income fund allocates 7.1% of its assets to the company.

For retail investors seeking conservative dollar-denominated income, the 2026 looks more attractive than at the beginning of the year. However, it should be noted that its purchase using local dollars assumes a very high blue-chip swap exchange cost today, which greatly affects the yield of the bond.

We are optimistic about the improvement in Pampa's results. Pampa consistently breaks production records every quarter, and its business environment has become more favorable with the new regulators. The upcoming financial statements should reflect these noticeable increases. Among our preferred credits are the bonds due in 2027 and 2029.

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