



Capital Markets Argentina

Oil & Gas

YPF 2Q19

www.capitalmarkets.com.ar
Esmeralda 130 Piso 5 (1035) | 54 (11) 4320-1900

YPF (BCBA: YPFD)

Sep 13, 2019

AR\$ 628.35

Target Price: 829.9

**Expected Return (AR\$):
32%**

**Rating:
Market Out Performer**

Price Range (ARS)

52 wk. Min.	52 wk. Max.
456	786



	Net Sales (AR\$ mill)	EBITDA (AR\$ mill)	Net Income (AR\$ mill)	EV/ EBITDA (x)	P/BV (X)	P/E (x)	EPS (AR\$)
2018	435.820	133.529	38.613	3,56	0,54	6,40	98,17
2019E	588.357	166.897	16.279	4,15	0,79	15,18	41,39
2020E	747.213	218.257	43.216	3,94	0,87	5,72	109,88

Share Outstanding (\$ m)	392	12M Range	456 / 786
ADR Outstanding (\$ m)	392	EPS Trailing	98,17
Float (%)	17,10%	P/E Trailing	6,40
Market Cap (\$ m)	246.502	EPS Forward	41,39
Net Debt (\$ m)	540.673	P/E Forward	15,18
EV (\$ m)	787.175		

YPF: Buy, despite political turmoil and frozen prices

The unexpected defeat of the ruling party (*Juntos por el Cambio*) in the primary elections hit deeply in investor's confidence due to a dramatically changed economic outlook towards 2020.

The peso fell 25% against the dollar and risk spreads widened to more than 2,000bps. In order to control economic damage, the government set capital controls, postponed short term debt payments and moved forward to expansionary fiscal policies that compromised the deal reached with the IMF.

One of the sectors that has suffered the most was oil and gas, where the government had to "freeze" fuel prices for 90 days, in order to control CPI acceleration due to the peso depreciation.

The decree indicates that the reference exchange rate used in the industry will be AR\$45.19 per dollar while the reference price of Brent oil is US\$ 59 per barrel. To date, the "official" FX is at AR\$57 and the Brent is at US\$ 61.55, which represents a 26.1% and 4.3% gap respectively.

Given this situation, **YPF (YPFD)** disclosed it would negatively impact in US\$100 million.

Even with this huge financial and economic stress, we believe that much of this damage is factored in the stock's price. Now trading near the 2002 lows, without considering dividends, we see an opportunity at current prices.

Considering the described distress, we contemplate various events for our valuation.

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Research-Petroleras@capitalmarkets.com.ar

September 19

Valuation

Considering a country risk premium of 1,800bps and a WACC rate of 14.78%, our TP is AR\$829.9 (32% of potential upside in pesos).

Rating: Market Out Performer.

Sensibility Analyses			
Country Risk / WACC	1.100bps	1.800bps	2.200 bps
Target Price (AR\$)	1735,0	829,90	508,00

DCF Valuation

DCF (AR\$ m)	2019E	2020E	Terminal Value
Y/Y Sales growth	35,0%	27,0%	15,0%
Net Sales	588.357	747.213	747.213
EBIT Margin	6,4%	7,2%	7,2%
EBITDA Margin	28,4%	29,2%	29,2%
EBT	36.957	58.184	
Effective tax rate	35%	25%	25%
NOPAT	16.279	43.216	
Depreciations	129.439	164.387	
Interest Paid	24.700	29.250	
Capex	(143.100)	(152.663)	
Working Capital	(11.160)	6.550	
FCF	16.158	68.879	68.879
WACC	14,78%	14,78%	14,78%
VP FCF			866.244
FCFE			325.571
Shares Outstanding			392,3
Target Price			829,90

Inputs	
Country Risk	18,00%
Risk Free Rate	2,50%
Excess Return	5,00%
Beta	0,58
Cost of Equity	23,40%
Cost of Debt	15,00%
WACC	14,78%

Sensitivity Analyses			
Country Risk /	1.100bps	1.800bps	2.200 bps
WACC	12,20%	14,78%	16,25%
Target Price (AR\$)	1735,0	829,90	508,00

Relative Valuation

Company	Country	Ticker	Market Cap (Million USD)	Price / Earnings	Price / Earnings Fwd.	Price / Sales	Price / Book Value
YPF S.A.	ARG	YPFD	3.373,8	6,40	15,18	0,45	0,62
Petrobras	BRA	PBR	90920,00	13,60	9,87	1,06	1,34
Ecopetrol	COL	ECO	35.470,0	10,32	8,07	1,76	2,08
Cenovus Energy	CAN	CVE	11.500,0	n/a	18,33	0,73	0,87

Source: Reuters

Financial Statement

Million Pesos	2016	2017	2018	2019e	2020e
Net Sales	210.100	252.813	435.820	588.357	747.213
YoY Growth (%)		20,3%	72,4%	35,0%	27,0%
Depreciations	(44.752)	(53.512)	(95.880)	(129.439)	(164.387)
Cost of Goods Sold	(177.304)	(211.812)	(359.570)	(491.278)	(620.187)
YoY Growth (%)		19,5%	69,8%	36,6%	26,2%
Gross Income	32.796	41.001	76.250	97.079	127.026
Gross Margin	15,6%	16,2%	17,5%	16,5%	17,0%
Comercialization Costs	(15.212)	(17.954)	(27.927)	(37.701)	(45.996)
YoY Growth (%)		18,0%	55,5%	35,0%	22,0%
Administrations Costs	(7.126)	(8.736)	(13.922)	(18.377)	(22.604)
YoY Growth (%)		18,0%	55,5%	35,0%	22,0%
Exploration Costs	(3.155)	(2.456)	(5.466)	(6.122)	(7.652)
Other Results	(31.549)	4.218	14.845	2.580	3.096
Operating Margin	-11,5%	6,4%	10,0%	6,4%	7,2%
EBITDA	58.216	66.791	133.529	166.897	218.257
EBITDA Margin	27,7%	26,4%	30,6%	28,4%	29,2%
Financial Results	(6.146)	(8.798)	41.525	(6.550)	(3.550)
Income on Long Term Investments	588	1.428	4.839	6.049	7.863
Income Before Tax	-29.804	8.703	90.144	36.957	58.184
Income Tax	1.425	3.969	(51.538)	(20.326)	(14.546)
Minority Income	(142)	(332)	7	(352)	(422)
Net Income	-28.237	12.340	38.613	16.279	43.216
Net Margin (%)	-13,44%	4,88%	8,86%	2,77%	5,78%
Depreciations	44.752	53.512	87.569	129.439	164.387
Interest paid less tax	6.084	10.303	18.597	24.700	29.250
Capex	(62.805)	(57.900)	(88.293)	(143.100)	(152.663)
Working Capital	(7.578)	3.550	(9.882)	(11.160)	6.550
FCFF	-47.784	21.805	46.604	16.158	90.740

Balance Sheet

	2018	2019e	2020e
Current Assets			
Contract assets	420	428	437
Inventories	53.324	73.545	85.930
Other Assets	25.056	25.557	25.813
Trade Receivables	72.646	94.137	121.049
Investment in financial assets	10.941	28.241	38.108
Cash & Equivalents	46.028	64.719	83.688
Total Current Assets	208.415	286.628	355.024
Non Current Assets			
Intangible assets	20.402	26.523	31.827
Property, plant and equipment	699.087	838.904	1.006.685
Assets held for disposal	0	0	0
Investment in companies	32.686	42.492	50.990
Deferred tax assets	301	391	470
Other receivables	9.617	12.502	15.003
Trade Receivables	23.508	30.560	36.672
Total non current assets	785.601	951.373	1.141.647
Total Assets	994.016	1.238.000	1.496.671
Current Liabilities			
Provisions	4.529	5.404	6.822
Income tax payable	357	405	415
Contract liabilities	4.996	6.495	7.794
Other tax payable	10.027	13.035	15.642
Salaries and social security	6.154	8.729	10.669
Loans	64.826	90.756	113.446
Other liabilities	3.855	1.110	1.150
Accounts payable	84.225	110.538	139.542
Total Current Liabilities	178.969	236.472	295.480
Non current Liabilities			
Provisions	83.388	98.256	130.239
Deferred tax liabilities	91.125	112.994	136.441
Contract liabilities	1.828	2.376	2.852
Other tax payable	2.175	1.580	1.500
Loans	270.252	368.459	477.544
Other liabilities	549	530	510
Accounts payable	3.373	3.710	4.081
Total non current liabilities	452.690	587.905	753.168
Total Liabilities	631.659	824.377	1.048.647
Total Equity	362.357	413.623	448.024

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Research-Petroleras@capitalmarkets.com.ar

September 19

Graciela Caioli

Director

Alejandro Quelch

Head of Research Department

aquelch@capitalmarkets.com.ar

Jaime Krause

Head of Asset Management

Portfolio Manager

Noelia Lucini, CFA

Fixed Income Strategy.

Portfolio Manager

Nicolas Viveros

Semi Senior Analyst (Fixed Income)

nviveros@capitalmarkets.com.ar

Agustin Giannattasio, CFA

Equity Senior Analyst

agiannattasio@capitalmarkets.com.ar

María Teresa Leiva

Macroeconomic Analyst

mleiva@capitalmarkets.com.ar

Juan José Guma

Analyst

jguma@capitalmarkets.com.ar

Valeria Flores

Virtual Library Administrator.

Assistant

vflores@capitalmarkets.com.ar

Dolores Jáuregui

Communication with external Analysts

Assistant

djauregui@capitalmarkets.com.ar

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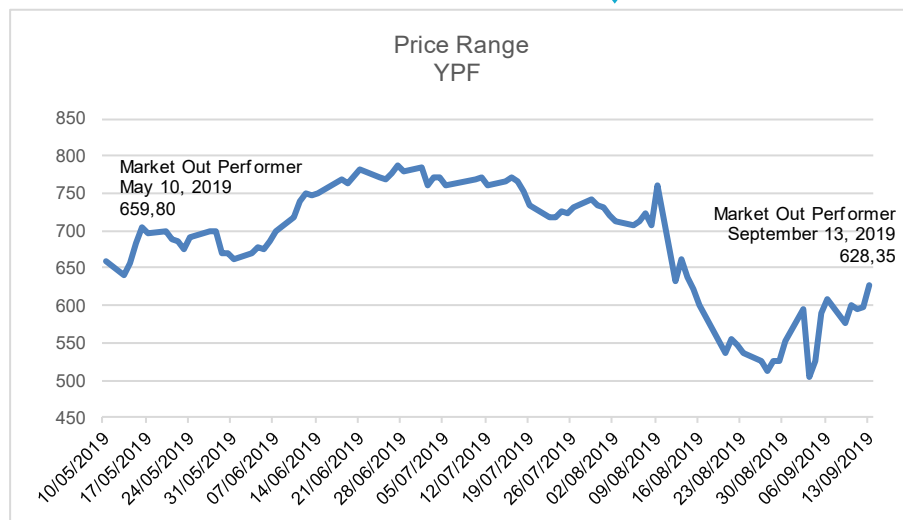
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