

PAMPA ENERGÍA (PAMP) November 11th, 2019

AR\$ 42.00

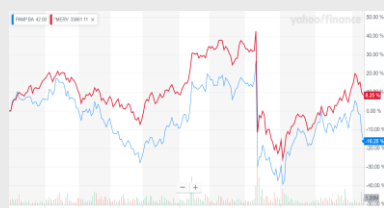
Target Price: AR\$ 57

Rating: Market Performer

Price Range (ARS)

52 wk. Min. 52 wk. Max.

29.15 64.50



	Net Sales (AR\$ mill)	EBITDA (AR\$ mill)	Net Income (AR\$ mill)	EV/ EBITDA (x)	P/BV (x)	P/E (x)	EPS (AR\$)
2018	110.080	32.224	10.808	4,61	1,25	7,76	5,95
2019E	155.213	59.858	39.700	3,56	1,50	1,92	21,87
2020E	203.329	62.256	33.935	2,91	1,65	2,79	18,70

Share Outstanding (AR\$ m)	1.815	12M Range	29.15 / 64.50
Float (%)	74,20%	EPS Trailing	5,95
Market Cap (\$ m)	76.231	P/E Trailing	7,05
Net Debt (\$ m)	74.520	EPS Forward	21,87
EV (\$ m)	150.751	P/E Forward	1,92

PAMPA: Decent numbers, but high uncertainty ahead. We hold our Market Performer rating.

- » 3Q19 net sales reached \$ 44.5 billion, +42.3% higher than in 3Q18, although below our expectations of \$ 45.5 billion. In dollar terms, net sales were 30% lower yoy, due to decreases of 44% in the Energy distribution segments, 20% in Oil and Gas and 22% in Petrochemicals.
- » Quarterly adjusted EBITDA reached USD 270 million, 15% lower than in 3Q18. This is mainly explained by an 11% fall in Energy Distribution EBITDA and a 39% in drop in Oil and Gas EBITDA. However, this was partially offset by increases in Power Generation (+11%) and Petrochemicals' (+5%) EBITDA.
- » Energy generation reached 4,138 GWh in 3Q19, 16% higher yoy. In Oil & Gas, total production reached 49,800boe/d, 10.6% higher than the production registered in 3Q18. Both sectors continue to be the most important of the holding's EBITDA generation.
- » Pampa's net debt reached USD 1,242 million, in line with our estimates.
- » **Pampa Energia (PAMP)** disclosed a new stock buyback program for an amount of up to USD 50 million. The maximum price to be paid is USD 14.50 per ADR or a maximum of USD 0.58 per share in BYMA.
- » Despite the logical challenges of the recession and the new president elected, Pampa produced quite attractive numbers. In spite of this situation and the prevailing uncertainty, we maintain our **Market Performer** rating.

Valuation

Considering a country risk premium of 2,000bps and a WACC rate of 19.07%, our TP is AR\$ 57 (35.7% upside in pesos).

Rating: Market Performer

Underlying risks:

1. Deeper political and economic turmoil that could lead to a massive default of sovereign and corporate debt.
2. Complete “freeze” of utilities tariffs in 2020 and unilateral pesification of energy generation tariffs.
3. Possibility of expropriation and / or nationalization of companies in the energy sector.
4. Higher peso depreciation could have a negative impact on US-nominated debt.

DCF Valuation

DCF (AR\$ m)	2019E	2020E	Terminal Value
Y/Y Sales growth	41,0%	31,0%	13,0%
Net Sales	155.213	203.329	14.500
EBIT Margin	30,8%	22,6%	23,0%
EBITDA Margin	38,6%	30,6%	31,0%
EBT	52.934	48.479	48.479
Effective tax rate	30%	25%	25%
NOPAT	39.700	33.935	33.935
Depreciations	12.037	16.250	16.250
Interest Paid	5.298	5.785	5.785
Capex	(29.218)	(34.477)	(34.477)
Working Capital	4.550	4.680	4.680,00
FCF	27.184	18.461	132.427
WACC	19,07%	19,07%	19,07%
VP FCF			178.072
FCFE			103.552
Target Price			57,05

Inputs	
Country Risk	18,00%
Risk Free Rate	2,25%
Excess Return	5,00%
Beta	1,35
Cost of Equity	29,00%
Cost of Debt	10,00%
WACC	19,07%

Sensibility Analyses			
	1.200bps	2.000bps	2.500 bps
Country Risk / WACC	14,60%	19,07%	21,86%
Target Price (AR\$)	99,1	57,00	41,74

Relative Valuation

Company	Country	Ticker	Market Cap (Million USD)	Price / Earnings	Price / Earnings Fwd.	Price / Sales	Price / Book Value
Pampa Energía Light SA	ARG	PAMP	985,2	7,76	1,92	0,76	0,56
Companhia Energetica do Ceara	BRA	LIGT3	1420,00	23,50	10,34	0,48	1,71
Elektro Redes S.A.	BRA	COCE5	1.000,0	13,05	n/a	0,80	1,43
	BRA	EKT3	931,0	8,89	n/a	0,61	1,66

Source: Reuters

PAMPA ENERGIA 3Q19

research-energy@capitalmarkets.com.ar

November 19

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Financial Statement

Million ARS	2016	2017	2018E	2019E	2020E
Net Sales	25.110	82.008	110.080	155.213	203.329
YoY Growth (%)		226,6%	34,2%	41,0%	31,0%
Cost of Sales	(20.153)	(59.339)	(74.161)	(108.339)	(139.890)
YoY Growth (%)		194,4%	25,0%	46,1%	29,1%
Gross Income	4.957	22.669	35.919	46.874	63.439
Gross Margin	19,7%	27,6%	32,6%	30,2%	31,2%
Commercialization Costs	(2.132)	(4.776)	(6.451)	(7.935)	(9.760)
YoY Growth (%)		124,0%	35,1%	23,0%	23,0%
Administration Costs	(3.628)	(7.481)	(7.751)	(9.379)	(10.973)
YoY Growth (%)		106,2%	3,6%	21,0%	17,0%
Other operating expenses	2.194	1.645	(872)	(1.250)	(955)
Subsidiary Participation	592	1.813	4.464	3.755	4.255
Results for Contracts Recognition	0	0	0	15.755	0
Operating Income	1.983	13.870	25.309	47.821	46.006
Operating Margin	7,9%	16,9%	23,0%	30,8%	22,6%
EBITDA	7.246	19.420	32.224	59.858	62.256
EBITDA Margin	28,9%	23,7%	29,3%	38,6%	30,6%
Financial Income	849	2.333	3.751	5.251	6.302
Financial Expenses	(4.277)	(8.750)	(11.944)	(13.138)	(16.029)
Other financial expenses	(80)	(3.774)	(32.365)	850	650
RECPAM		11.478	23.696	12.150	11.550
Income before tax	(1.525)	15.157	8.447	52.934	48.479
Incoem Tax	1.201	985	(658)	(13.233)	(14.544)
Participación no Controlante	0	0	0	0	0
Divestment stakes	72	(1.893)	3.019	0	0
Net Income	-252	14.249	10.808	39.700	33.935
Net Margin	-1,00%	17,38%	9,82%	25,58%	16,69%
Depreciation	2.976	5.550	7.766	12.037	16.250
Interest Paid	3.250	2.647	3.253	5.298	5.785
Capex	(13.362)	(18.290)	(25.407)	(29.218)	(34.477)
Working capital	(2.500)	(2.550)	1.660	4.550	4.680
FCFF	-9.888	1.606	-1.920	32.367	26.173

Balance Sheet

Thousand AR\$	2018	2019e	2020e
Current Assets			
Inventories	5.169	8.614	11.793
Other	3	4	5
Trade receivables	26.489	32.595	40.666
Financial Assets	16.603	35.699	44.732
Cas & Equivalents	9.097	6.209	9.150
Total current assets	57.361	83.120	106.346
Non current assets			
Porperty, plan & equipment	125.005	200.008	240.010
Paticipation in associates	15.333	26.386	32.533
Other	455	255	265
Intangible Assets	6.080	3.104	4.067
Trade Receivables	9.521	10.865	16.266
Deferred Tax Asset	80	6.985	7.726
Total non current Assets	156.474	247.603	300.867
Total Assets	213.835	330.723	407.212
Current Liabilities			
Other	54	100	100
Trade Payables	24.756	27.085	36.371
Beneficiary Plans	162	194	233
Loans	12.901	15.481	18.577
Social Security	2.726	2.862	3.005
Tax Income payable	1.084	1.150	1.350
Fiscal Debts	2.052	4.875	6.295
Provisions	871	750	650
Total current Liabilities	44.606	52.498	66.583
Non current liabilities			
Trade Payables	8.162	13.001	17.486
Provisions	5.499	8.667	11.891
Fiscal Debts	542	705	881
Tax Income payable	1.034	965	785
Loans	69.189	92.088	118.907
Beneficiary Plans	1.175	1.351	1.486
Deferred Tax Liability	15.354	20.043	26.579
Other	591	1.685	1.750
Totl non current liabilities	101.546	138.504	179.765
Total Liabilities	146.152	191.002	246.348
Total Equity	67.683	139.722	160.865

PAMPA ENERGIA 3Q19

research-energy@capitalmarkets.com.ar

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Capital
Markets
Argentina



Graciela Cairolí

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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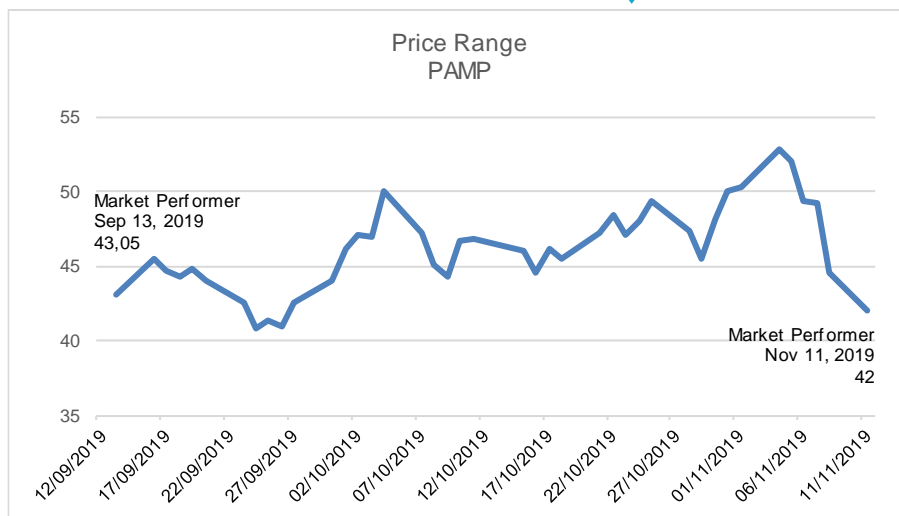
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Outperform: expected to perform above the underlying country index	
Perform: expected to perform in-line with the underlying country index	X
Underperform: expected to perform below the underlying country index	

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