

### Telecom: Better than expected results but with very negative outlook

#### Trade Ideas

	Price	Rating
BYMA	487,00	Market Outperformer
LOMA	127,70	Market Performer
GGAL	131,80	Market Performer
SAMI	133,00	Market Outperformer
TXAR	38,50	Market Performer

#### Strategy

**The long-term outlook is still not clear due to the slump in economic activity in recent months and uncertain recovery. Companies with a high percentage of dollar denominated revenues, lower operating exposure to the domestic market and low debt levels would act as a hedge in the current scenario, while in case of a better than expected recovery, could outperform the Merval index.**

#### HIGHLIGHTS

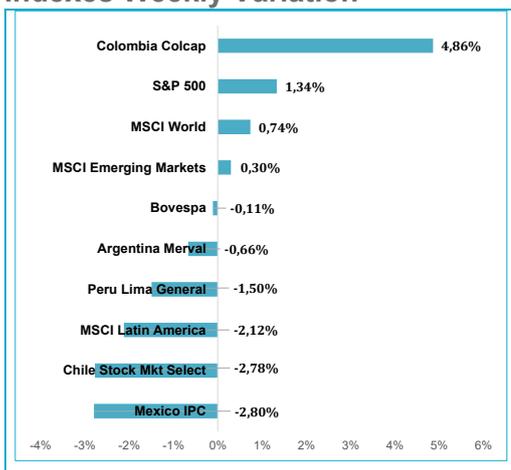
- The Pesos denominated Merval Index dropped 3,73% during the last 7 days, in contrast to international markets.
- Companies in the Holding sector were the best weekly performers.
- Communications was the worst performing sector.

The agreement regarding the sovereign debt restructuring would be the first step in considering a medium-term economic recovery, being the main medium-term driver for Argentine stocks. Most domestic stocks are currently discounting a very negative scenario, as their current valuation lies between 30% of their maximum values in early 2018. However, last week's Presidential decree, in which communication sector companies are declared a public utility, poses uncertainty regarding increased government intervention in the economy and particularly in these companies.

**Bolsas y Mercados Argentinos (BYMA)** would be an attractive stock due to its almost entirely USD denominated investment portfolio through Caja de Valores and the strong growth in trading volume. We favor defensive stocks such as **Aluar (ALUA)** and **Ternium Argentina (TXAR)**, also migrating to companies with limited exposure to Argentina, such as **MercadoLibre (MELI)** and **Globant (GLOB)**, as the quarantine due to the coronavirus spread boosts online payment revenues through its platform Mercado Pago. In addition, as the Government is planning to restart the subsidized mortgage program (Procrear), thus improving the outlook for the construction sector, Loma Negra (LOMA) would be attractive. **We suggest reducing exposure to Telecom (TEO) as the new Government regulation would be very negative for the company's business.**

Considering a longer time horizon and a more aggressive risk profile, banks' valuations are offering attractive entry points, influenced by a possible rebound in domestic economic activity in mind. In this context, **Grupo Galicia (GGAL)**, due to its higher relative volume of deposits and loans, would have the most attractive valuation, while **Banco Macro (BMA)**, due to its geographically diversified activity, could be less affected by restrictive policies in the Buenos Aires' Metropolitan Area due to the Covid-19 pandemic.

#### Indexes Weekly Variation



# ARGENTINA EQUITY MARKET

Weekly Market Strategy Report

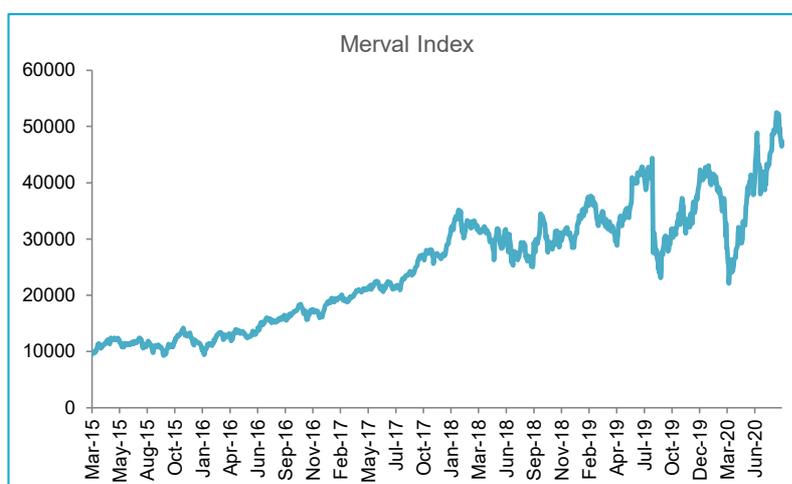
August 25, 2020

## Argentina

### Selected Stocks

Company	Price (ARS)	Chg 5d %	Chg 1 yr %	Recommendation Date	Performance since start of recom.	Rating
Banco Macro	240,90	-1,73	41,12	18/10/2019	0,01	Market Performer
BBVA Francés	144,50	-1,43	55,63	18/10/2019	0,13	Market Performer
Bolsas y Mercados Arg.	487,00	1,46	121,67	27/01/2020	0,45	Market Outperformer
GF Galicia	131,80	-4,01	63,12	18/10/2019	0,12	Market Performer
Globant (CEDEAR)	11552,00	1,69	336,17	18/10/2019	1,51	Market Performer
Holcim Argentina	126,00	0,00	113,56	02/12/2019	0,13	Market Performer
MercadoLibre (CEDEAR)	80750,00	3,27	386,20	18/10/2019	2,19	Market Performer
San Miguel	133,00	-2,56	79,73	18/10/2019	0,34	Market Outperformer
Telecom Argentina	190,00	-7,29	67,70	30/03/2020	0,06	Market Performer
Transp. Gas del Sur	121,50	-5,41	28,69	18/10/2019	-0,15	Market Performer

Source: Bloomberg



### Argentine Total Return Portfolio

The portfolio had a higher relative return compared to the dollar denominated Merval index, due to the portfolio's exposure to companies with lower correlation with the negative domestic economic cycle.

Although we did not change the portfolio's allocation during last week, we are evaluating Telecom's price dynamic in order to eliminate the exposure at the best possible time.

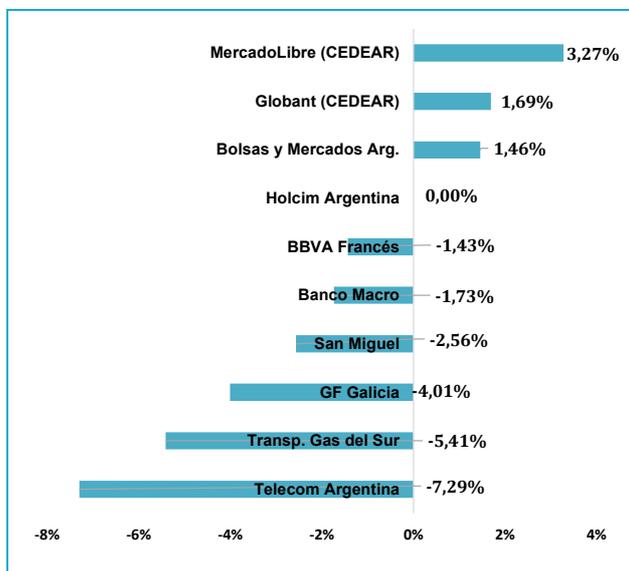
We consider that the portfolio is able to capture any potential improvement in local macroeconomic conditions in the medium term, holding companies with solid operational outlooks, as well as high quality corporate bonds.

**See Annex on page 7**

# ARGENTINA EQUITY MARKET

Weekly Market Strategy Report

August 25, 2020



The Pesos denominated Merval Index dropped 3,73% during the last 7 days. Last week, companies in the Holding sector, along with Agribusiness sector outstaded.

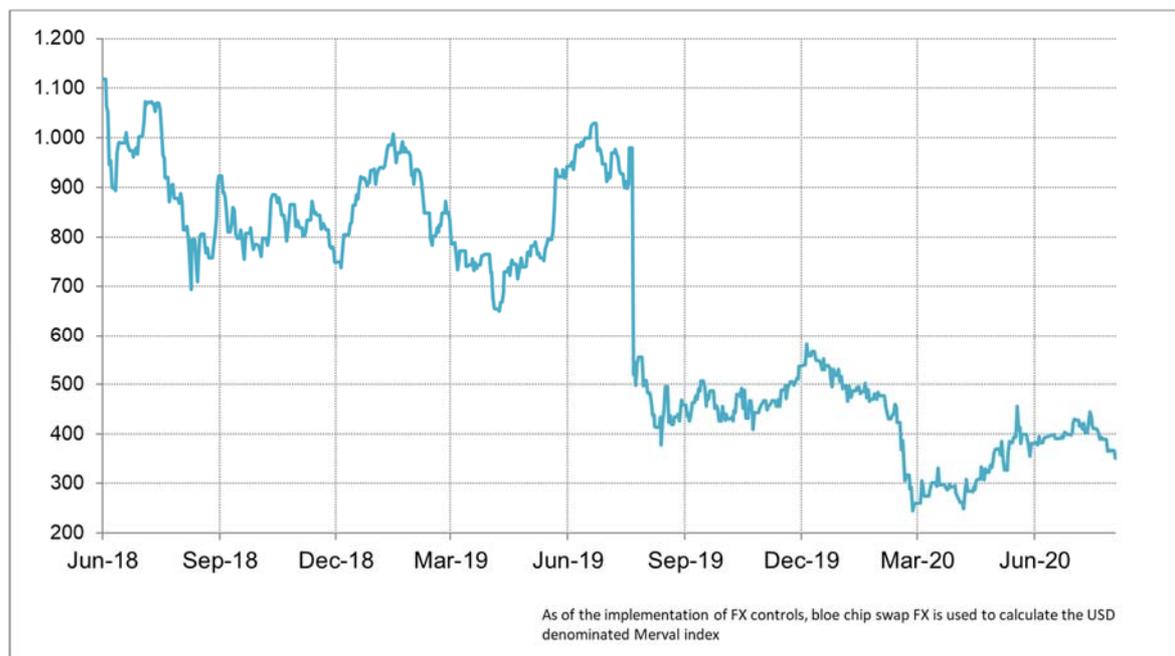
On the other hand, Communications sector, followed by Banks, had the worst performance.

During the week, shares with the best performance were **Soc. Comercial del Plata** (COME, +15%), **Cresud** (CRES, +4,46%) and **Aluar** (ALUA, +2,56%).

The lowest returns were for **Cablevisión Holding** (CVH, -14,55%), **Telecom Argentina** (TECO2, -11,82%) and **Central Puerto** (CEPU, -9,22%).

## Dollar-denominated Merval Index

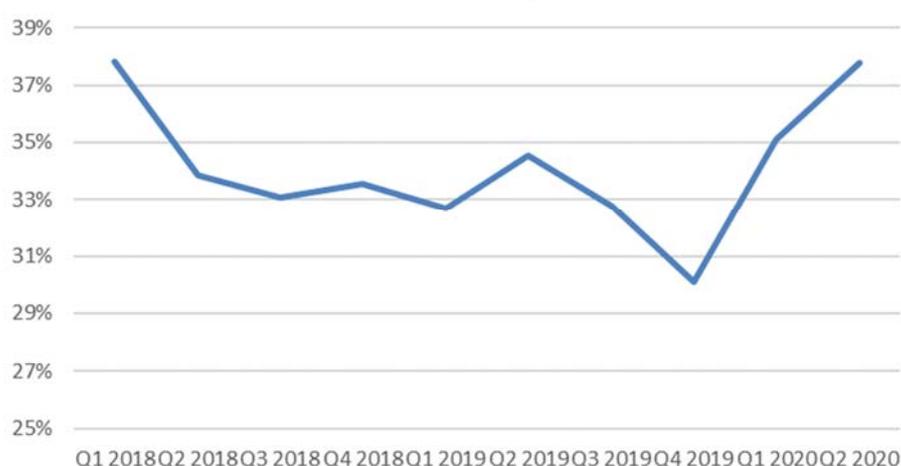
The dollar-denominated Merval Index was down 4,01% over the week, closing this time at 351 points, primarily driven by the index in pesos.



### Telecom: Better than expected results but with very negative outlook

Telecom reported higher than expected results for Q2 2020, despite the very negative economic context. Revenues significantly increased in real terms (+8% vs. Q1 2020, inflation adjusted), while EBITDA increased 17% in real terms compared to Q1 2020, maintaining its EBITDA margin above the 30% target, reaching 37% and improving quarter over quarter. Net profit reached ARS 1.961 billion (-76% vs. Q2 2019).

EBITDA Margin



The profitability improvement was mainly due to its most relevant segments: mobile and cable TV. ARPUs or Average Return per User behaved as follows during last quarter

SEGMENT	ARPUs	YoY Change (%)
Mobile	\$375,50	66,52%
Internet	\$1.160,90	41,68%
Cable TV	\$1.255,30	44,04%
Fixed Telephones and Data	\$519,40	46,72%

A new regulation disclosed last Friday stated that the Information and Communication Technologies (ICT) services prices will start to be regulated by the Argentina Communications Authority (ENACOM). According to the decree, prices should cover costs; tend to efficient service provision and a reasonable operative margin. From the regulation it follows that although the company would maintain positive margins, these will be subject to the Government's determination, so it is likely that the margin were to fall significantly.

The new regulation is very negative for the company in both the short and long term. In the short term, the company will not be able to adjust its tariffs for inflation, which will cause its revenues to fall in real terms. On the other hand, we consider that margins will remain relatively stable due to the company's outstanding cost management. In the long term, this regulation eliminates visibility on the company's outlook, since in case the Government decides to allow tariff adjustments below inflation, the company's investment plan will be reduced, since the expected profit would be lower. For this reason, we reduced the target price to AR\$228 (+11% potential upside in pesos, +4% in dollars).

### Acciones Argentinas / Argentine Stocks

Compañía / Company			24-ago-20	% Semana / Week	% Mes / Month	% 1 Año / year	% YTD
Agrometal	AGRO AR Equity	Agropecuario	18,70	5,65%	50,81%	137,01%	99,57%
Aluar	ALUA AR Equity	Materiales Básicos	50,10	2,56%	19,86%	146,72%	54,63%
Autopistas del Sol	AUSO AR Equity	Consumo no Cíclico	53,70	-4,28%	-6,28%	-14,94%	-26,82%
Autopistas Oeste	OEST AR Equity	Consumo no Cíclico	24,00	-3,42%	-9,09%	-3,38%	-12,45%
Banco Hipotecario	BHIP AR Equity	Financiero	11,00	-8,33%	9,45%	-20,00%	-21,99%
Banco Patagonia	PATA AR Equity	Financiero	39,00	-3,23%	2,90%	105,26%	56,00%
Banco Río	BRIO AR Equity	Financiero	21,70	-5,65%	1,17%	65,02%	31,52%
BBVA Banco Francés	BBAR AR Equity	Financiero	144,50	-7,93%	-16,23%	55,63%	2,85%
BMA Banco Macro Bansud	BMA AR Equity	Financiero	243,75	-6,12%	-10,42%	42,79%	-10,91%
Boldt	BOLT AR Equity	Juego	4,58	2,00%	48,22%	55,78%	15,95%
Bolsas y Mercados Argentinos	BYMA AR Equity	Financiero	495,00	-0,20%	9,03%	127,73%	59,20%
Cablevisión Holding	CVH AR Equity	Comunicaciones	376,00	-14,55%	-15,79%	144,84%	24,63%
Carlos Casado	CADO AR Equity	Consumo no Cíclico	23,30	-2,92%	-1,89%	98,30%	16,50%
CAPEX	CAPX AR Equity	Utilities	68,60	-4,72%	-6,67%	35,04%	-6,67%
Celulosa	CELU AR Equity	Materiales Básicos	25,30	-0,78%	7,20%	4,55%	3,27%
Central Puerto	CEPU AR Equity	Utilities	31,50	-9,22%	-7,62%	58,55%	-11,76%
Come. del Plata	COME AR Equity	Conglomerado	2,86	15,00%	30,22%	183,35%	60,99%
Cresud	CRES AR Equity	Consumo no Cíclico	44,50	4,46%	-0,89%	34,27%	-15,16%
Dycasa	DYCA AR Equity	Construcción	60,00	-4,76%	-0,17%	58,94%	0,84%
Edenor	EDN AR Equity	Energía	23,00	-8,00%	-3,56%	29,21%	-4,37%
Endesa Costanera	CECOZ AR Equity	Utilities	11,55	-5,33%	-8,33%	35,88%	-16,91%
Ferrum	FERR AR Equity	Construcción	8,15	-7,39%	23,48%	182,99%	5,84%
Fiplasto	FIPL AR Equity	Construcción	5,89	-6,51%	16,63%	63,61%	15,49%
Garovaglio	GARO AR Equity	Conglomerado	7,89	-0,75%	-4,25%	97,25%	-6,85%
GasBan	GBAN AR Equity	Energía	33,50	0,00%	1,52%	11,67%	4,69%
Grimoldi	GRIM AR Equity	Consumo no Cíclico	33,50	1,52%	25,00%	47,90%	4,69%
Grupo Clarín	GCLA AR Equity	Media	32,00	-5,88%	-1,54%	13,88%	-3,32%
Grupo Financiero Valores	VALO AR Equity	Financiero	25,00	-8,76%	-2,91%	328,08%	86,57%
Grupo Galicia	GGAL AR Equity	Financiero	135,20	-6,79%	-6,73%	67,33%	11,18%
Grupo Supervielle	SUPV AR Equity	Financiero	66,20	-2,00%	-1,12%	81,78%	19,20%
Irsa	IRSA AR Equity	Real Estate	44,00	-0,11%	-8,24%	25,15%	-13,39%
Havana	HAVA AR Equity	Consumo Cíclico	139,00	-10,32%	-13,40%	104,11%	-5,76%
Holcim	HARG AR Equity	Industrial	127,50	-1,54%	36,95%	116,10%	34,07%
Ledesma	LEDE AR Equity	Consumo no Cíclico	23,95	3,01%	-2,24%	130,29%	38,44%
Loma Negra	LOMA AR Equity	Industrial	128,45	-2,73%	0,27%	111,96%	6,77%
Longvie	LONG AR Equity	Construcción	5,45	-3,02%	5,83%	105,66%	-11,38%
Metrogas	METR AR Equity	Utilities	18,20	-8,08%	-4,46%	39,46%	12,35%
Mirgor	MIRG AR Equity	Consumo Cíclico	1117,50	-0,49%	14,21%	201,93%	53,08%
Molinos	MOLI AR Equity	Consumo no Cíclico	96,80	-2,22%	-2,62%	140,50%	68,06%
Pampa Holding	PAMP AR Equity	Conglomerado	58,25	2,01%	1,57%	64,78%	16,97%
Patagonia (Imp. Exp)	PATA AR Equity	Consumo no Cíclico	39,00	-3,23%	2,90%	105,26%	56,00%
Polledo	POLL AR Equity	Industrial	8,80	3,53%	1,15%	25,71%	-9,28%
Richmond	RICH AR Equity	Farmacéutico	106,00	-8,03%	-13,82%	155,42%	-8,62%
Rigolleau	RIGO AR Equity	Consumo no Cíclico	106,50	-14,11%	18,33%	294,44%	93,64%
San Miguel	SAMI AR Equity	Agricultura	135,00	-2,00%	0,00%	82,43%	16,88%
Siderar	TXAR AR Equity	Materiales Básicos	39,30	-0,13%	7,52%	213,15%	53,22%
Telecom	TECOZ AR Equity	Comunicaciones	186,90	-11,82%	-19,97%	74,46%	9,43%
TGN	TGNO4 AR Equity	Energía	44,35	-3,27%	13,14%	16,72%	10,32%
TGS	TGSU2 AR Equity	Energía	128,90	-4,27%	-10,46%	36,95%	18,64%
Transener	TRAN AR Equity	Utilities	25,95	-3,17%	-5,64%	25,97%	-0,19%
YPF	YPFD AR Equity	Energía	715,70	-1,13%	-6,68%	33,74%	-16,51%
Ind. Merval	Merval Index		46.736,74	-3,73%	-3,84%	75,79%	12,16%
Ind. General	IBG Index		1.984.355,00	-3,61%	-3,27%	72,59%	10,45%

Tablero de Control - Índice S&P Merval / S&P Merval Index - Control Panel

Compañía / Company	Especie / Ticker	Precio de Cierre al / Closing Price at 24/08/2020	Industria / Industry	% Sem.	% MTD	% YTD	% 1 Año	Vol. Promedio Últimos 30 días (en pesos) / Average Volume 30d	Ponderación estimada / Estimated Weight	Market Cap (millones de pesos)	Ingresos* / Revenues* (12 meses)	% var. ingresos a/a / % var. Revenues YoY	EBITDA* (12 meses)	Margen de EBITDA / EBITDA Margin	Resultado Neto* (12 meses) / Net Income* (12 months)	Margen Neto / Net Margin	% var. Ganancia a/a / % var. Net Income YoY	PE Ratio (12 meses)	EV/EBITDA (12 meses)	P/BV
<b>Índice S&amp;P Merval</b>		<b>46.737</b>		<b>-3,7%</b>	<b>-5,1%</b>	<b>+12,2%</b>	<b>+75,8%</b>											<b>19,7X</b>		
GF Galicia	GGAL	\$135,20	Bancos	-6,8%	-9,5%	+11,2%	+67,3%	\$521.920.000	15,25%	\$192.899	\$ 231.883	33%	-	-	\$ 40.844	18%	85%	4,7x	-	1,5x
Banco Macro	BMA	\$243,75	Bancos	-6,1%	-8,6%	-10,9%	+42,8%	\$170.600.000	10,13%	\$155.857	\$ 155.782	48%	-	-	\$ 40.531	26%	152%	3,8x	-	1,3x
Banco Francés	BBAR	\$144,50	Bancos	-7,9%	-16,9%	+2,8%	+55,6%	\$59.580.000	3,78%	\$88.537	\$ 142.833	40%	-	-	\$ 28.080	20%	117%	3,2x	-	1,0x
Grupo Supervielle	SUPV	\$66,20	Bancos	-2,0%	-7,3%	+19,2%	+81,8%	\$53.600.000	2,14%	\$30.235	\$ 68.263	2%	-	-	\$ 3.243	5%	202%	9,3x	-	1,0x
GF Valores	VALO	\$25,00	Bancos	-8,8%	-10,9%	+86,6%	+328%	\$32.130.000	3,46%	\$21.461	\$ 5.941	101%	-	-	\$ 2.029	-	105%	10,6x	-	5,0x
Soc. Com. del Plata	COME	\$2,86	Conglom.	+15,0%	+16,9%	+61,0%	+183%	\$21.450.000	0,12%	\$9.092	\$ 23.556	43%	\$ 532	2%	-\$ 508	-2%	#¡VALOR!	-	19,7x	0,5x
Pampa Energía	PAMP	\$58,25	Electricidad	+2,0%	+7,5%	+17,0%	+64,8%	\$69.730.000	11,61%	\$89.809	\$ 160.769	15%	\$ 30.757	19%	\$ 10.303	6%	-70%	8,7x	6,7x	0,7x
Central Puerto	CEPU	\$31,50	Electricidad	-9,2%	-3,1%	-11,8%	+58,5%	\$22.240.000	7,54%	\$47.692	\$ 35.557	30%	\$ 19.374	54%	\$ 8.045	23%	-45%	5,9x	4,2x	0,7x
Edenor	EDN	\$23,00	Electricidad	-8,0%	-3,0%	-4,4%	+29,2%	\$12.700.000	0,30%	\$20.127	\$ 88.293	-9%	\$ 6.627	8%	-\$ 1.870	-2%	#¡VALOR!	-	3,7x	0,3x
Transener	TRAN	\$25,95	Electricidad	-3,2%	-2,4%	-0,2%	+26,0%	\$10.530.000	0,25%	\$11.539	\$ 15.012	-7%	\$ 8.484	57%	\$ 4.248	28%	-16%	2,7x	1,5x	0,5x
YPF	YPFD	\$715,70	O&G	-1,1%	-5,9%	-16,5%	+33,7%	\$130.770.000	10,87%	\$281.494	\$ 695.587	25%	\$ 70.836	10%	-\$ 101.620	-15%	-	-	12,4x	0,5x
TGS	TGSU2	\$128,90	O&G	-4,3%	-8,8%	+18,6%	+37,0%	\$21.640.000	2,75%	\$118.074	\$ 48.622	-17%	\$ 23.958	49%	\$ 10.432	21%	-54%	11,3x	5,5x	4,4x
TGN	TGNO4	\$44,35	O&G	-3,3%	+16,3%	+10,3%	+16,7%	\$25.380.000	0,27%	\$19.486	\$ 18.242	-11%	\$ 13.379	73%	\$ 4.975	27%	-23%	3,9x	1,4x	0,4x
Bolsas y Mercados	BYMA	\$495,00	Financiera	-0,2%	+3,8%	+59,2%	+128%	\$38.470.000	6,08%	\$38.613	\$ 11.507	11%	\$ 8.827	-	\$ 3.931	-	145%	9,8x	0,9x	2,0x
Cresud	CRES	\$44,50	Inmobiliaria	+4,5%	-3,8%	-15,2%	+34,3%	\$21.060.000	2,13%	\$22.329	\$ 107.187	10%	\$ 8.327	8%	-\$ 21.494	-20%	-	-	-	2,5x
Holcim Argentina	HARG	\$127,50	Materiales	-1,5%	+32,8%	+34,1%	+116%	\$9.070.000	5,09%	\$44.887	\$ 18.384	-16%	\$ 3.364	18%	\$ 1.322	7%	-57%	34,0x	12,2x	2,5x
Aluar	ALUA	\$50,10	Materiales	+2,6%	+9,6%	+54,6%	+147%	\$37.640.000	4,38%	\$140.280	\$ 62.184	6%	\$ 8.508	14%	\$ 480	1%	-94%	292,0x	20,0x	4,1x
Siderar	TXAR	\$39,30	Materiales	-0,1%	-0,9%	+53,2%	+213%	\$31.680.000	3,72%	\$177.522	\$ 104.533	-10%	\$ 16.197	15%	\$ 5.729	5%	-75%	31,0x	10,2x	1,0x
Telecom	TECO2	\$186,90	Comun.	-11,8%	-15,6%	+9,4%	+74,5%	\$21.860.000	5,57%	\$402.524	\$ 258.216	-4%	\$ 88.994	34%	-\$ 10.213	-4%	-	-	6,2x	1,2x
Cablevisión Hold.	CVH	\$376,00	Comun.	-14,5%	-15,7%	+24,6%	+145%	\$8.840.000	4,58%	\$67.922	\$ 258.216	-26%	\$ 112.665	44%	-\$ 4.650	-2%	-	-	3,6x	0,5x

Otras empresas / Other Companies

San Miguel	SAMI	\$135,00	Agro	-2,0%	-5,3%	+16,9%	+82,4%	\$3.000.000	4,90%	\$9.605	\$ 11.415	1%	\$ 2.488	22%	-\$ 311	-3%	-	-	10,6x	0,5x
Banco Hipotecario	BHIP	\$11,00	Bancos	-8,3%	-7,6%	-22,0%	-20,0%	\$4.880.000	0,40%	\$16.500	\$ 33.479	-12%	-	-	\$ 1.227	4%	196%	13,4x	-	1,2x
Central Costanera	CECO2	\$11,55	Electricidad	-5,3%	-1,3%	-16,9%	+35,9%	\$1.630.000	0,42%	\$8.108	\$ 11.244	-18%	\$ 6.324	56%	\$ 2.452	22%	-61%	3,3x	1,5x	0,7x

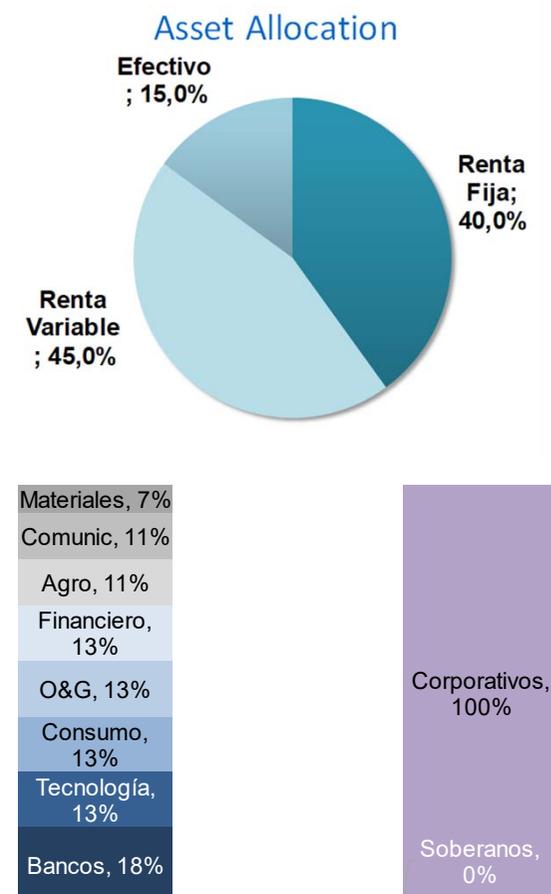
\*Fuente: CMA en base a Bloomberg. En millones de pesos.

\*\*No se consideran los ingresos de la industria bancaria en el cálculo

## Portfolio Modelo Argentina (Grado Especulativo) / Recommended Portfolio: Argentina Speculative

Activos	Ticker / ISIN	Asset Allocation	Variación semanal (USD*)	TIR	Duration	Fecha de Recomend	Performance desde Recomend. (USD*)
<b>Renta Fija</b>		<b>40.0%</b>	<b>+0.3%</b>	<b>10.1%</b>	<b>2.7</b>		
Aeroar 2000 9.375% 2021	USP0092MAF07	6.0%	-0.9%	18.3%	2.5	10/18/2019	+25.8%
Telecom 6,5% 2021 (ex C)	USP19157AR03	7.0%	+0.1%	8.0%	0.8	10/18/2019	+9.9%
Arcor 6% 2023	US03965PAC59	7.0%	+0.3%	6.6%	2.6	10/18/2019	+13.5%
Adecoagro 6% 2027	USL00849AA47	7.0%	+1.9%	5.5%	4.3	10/18/2019	+11.6%
TGS 6,75% 2025	USP9308RAZ66	6.0%	-0.0%	9.4%	4.0	10/18/2019	+10.9%
YPF 8,75% 2024	USP989MJAY76	7.0%	+0.3%	14.0%	2.3	11/29/2019	+10.1%
<b>Renta Variable</b>		<b>47.0%</b>	<b>-4.0%</b>				
San Miguel	SAMI	5.0%	-3.3%			10/18/2019	+1.9%
Bolsas y Mercados Arg	BYMA	6.0%	-3.5%			1/27/2020	+19.2%
Telecom Argentina	TECO2	5.0%	-7.2%			3/30/2020	-10.9%
BBVA	BBAR	4.0%	-8.6%			10/18/2019	-14.8%
Holcim Argentina	HARG	3.0%	-3.5%			12/2/2019	-18.8%
GF Galicia	GGAL	6.0%	-9.7%			10/18/2019	-15.3%
Banco Macro	BMA	6.0%	-8.8%			10/18/2019	-24.2%
Ternium Argentina	TXAR	6.0%	-3.1%			8/13/2020	-5.3%
Globant (CEDEAR)	GLNT	6.0%	+0.7%			10/18/2019	+86.8%
MercadoLibre (CEDEAR)	MELI	6.0%	+6.6%			10/18/2019	+135.7%
<b>Efectivo</b>		<b>13.0%</b>					
USD MEP		13.0%					
		<b>100%</b>	<b>-1.7%</b>				

\*Tipo de Cambio implícito según Bonar 24, cotización T+0 en BYMA (dólar MEP)



# ARGENTINA EQUITY MARKET

Weekly Market Strategy Report

August 25, 2020



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