

## YPF SA

# In-line 4Q23 results; proved reserves down 10% YoY due to conventional assets

Maintain Rating: UNDERPERFORM | PO: 11.30 USD | Price: 18.67 USD

## In-line 4Q23 result

YPF's 4Q23 adjusted EBITDA came in at US\$1,082mn (up 17% QoQ and +16% YoY), broadly in line with our expectations of US\$1,069mn. The sequential improvement was mainly driven by exports' FX regime as well as higher local fuels prices, partially offset by seasonal lower natural gas sales. YPF reported a net loss of US\$1,861mn, well below ours +US\$301mn mainly explained by the US\$1.8bn impairment reported by the company after a revision of recoverable value of conventional mature fields. FCF was a negative US\$60mn (vs. 3Q23's of -US\$379mn), mainly driven by the company's capex plan (deployed in the upstream seg. driven by the efforts to develop Vaca Muerta). In this regard, net debt stood at US\$6.8 billion and leverage was maintained at 1.7x.

## Proved reserves dropped 10% YoY due to conventional assets

YPF also reported proved reserves of 1,072Mboe; down 10% YoY, mainly driven by the large decrease of 26% in the conventional assets, while shale reserves remained virtually flat. Addition of proved reserves of 72Mboe (58% oil) were largely due to the developments of the unconventional operations. In this regard, the consolidated reserve replacement ratio (RRR) was 0.4x and reserve life stands at 5.7 years. Notably, shale reserves represent 71% of the total P1 reserves, with 8.8 years of reserve life and RRR of 1.0x.

## Upstream in-line; lifting cost at core assets is US\$4.1/boe

Upstream adj. EBITDA came in at US\$658mn (down 10% QoQ and flattish YoY), in line with our expectations of US\$652mn. Total production was 510kboed (vs. BofAe of 512kboed), a slight decrease of 1.7% QoQ and up 2.3% YoY – on a sequential basis, crude oil production grew 7.7% mainly helped by an increase in oil shale production of 18.6%; this, however, was offset by the drop in NGL and natural gas production (at conventional, share and tight assets). YPF also disclosed a breakdown of its lifting cost – consolidated lifting cost was US\$15.4/boe (down 2% QoQ). According to the company, lifting cost at conventional assets averaged US\$25.0/boe, while unconventional lifting cost was US\$5.3/boe and the figure at the shale core hub blocks stood at US\$4.1/boe.

## Downstream showing a strong improvement

The downstream segment delivered adj. EBITDA of US\$575mn (up 428% QoQ and 77% YoY), slightly above our estimate of US\$552mn. The segment presented a strong improvement mainly due to 1) a large increase in local fuel prices, 2) higher processing levels, 3) the impact of FX devaluation on opex, and 4) non-recurring effects, such as fuels tax refunds and new FX regime for exporters.

## Maintain Underperform rating

We maintain our Underperform rating on YPF. We would like to have clearer visibility on Milei's governability as well as popularity given that recent measures could have unpopular consequences (e.g. inflation). Despite all the improvement so far, we still have the concern that YPF could face some challenges to continue developing Vaca Muerta.

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### Equity

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### Stock Data

Price (ADR / Common)	18.67 USD / 18,978.75 ARS
Price Objective	11.30 USD / 7,920.17 ARS
Date Established	9-Jan-2024 / 9-Jan-2024
Investment Opinion	C-3-9 / C-3-9
52-Week Range	8.73 USD - 19.10 USD
Market Value (mn)	7,299 USD
Free Float	0%
Average Daily Value	43.07 USD
Shares Outstanding (mn)	391.0 / 391.0
BofA Ticker / Exchange	YPF / NYS
BofA Ticker / Exchange	YPFSF / BUE
Bloomberg / Reuters	YPF US / YPF.N
ROE (2023E)	8.1%
Net Dbt to Eqty (Dec-2022A)	59.9%

## Price objective basis & risk

### YPF SA (YPF)

Our PO of US\$11.30/ADR (ARS 7,920.17/share) is based on a DCF methodology, using the BofA base case oil price scenario, which assumes Brent prices of US\$85/bbl in 2023, US\$90/bbl for 2024, and US\$70/bbl for 2025 and beyond. We use a 16.2% WACC and terminal growth rate of 3%.

Upside risks to our PO are: (1) new growth projects that are implemented in a way that allows for higher returns, (2) prices for refined products in Argentina, (3) energy policy in Argentina that could become more favorable for oil companies, (4) global energy price movements, (5) improvement in risk perceptions of Argentina.

Downside risks to achieving our price objective are: (1) worsening of Argentina's macroeconomic scenario and maintenance of capital controls, (2) increased government involvement in energy policy in Argentina, (3) execution risk in improving recovery factor in YPF's oil fields, (4) more restricted access to oil services and equipment.

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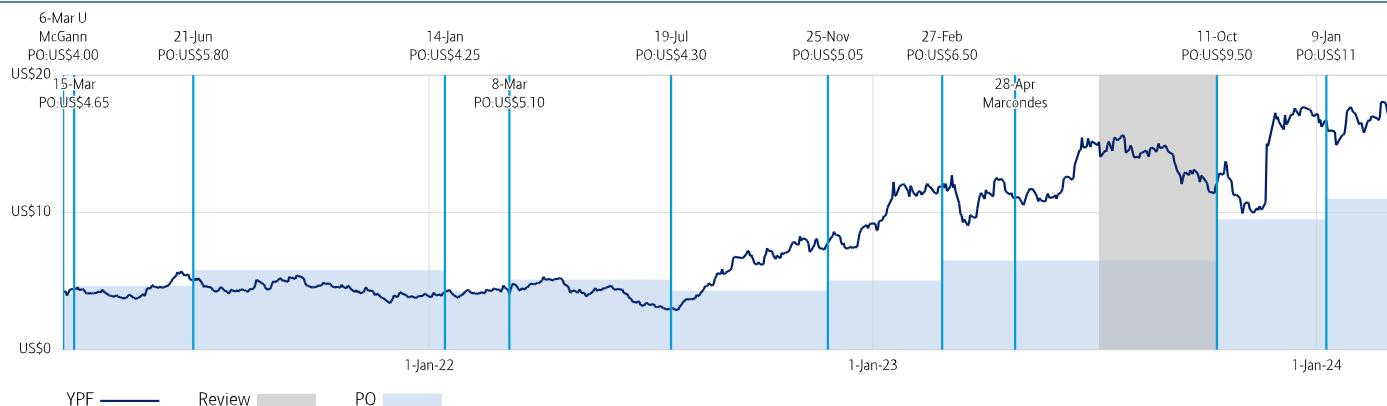
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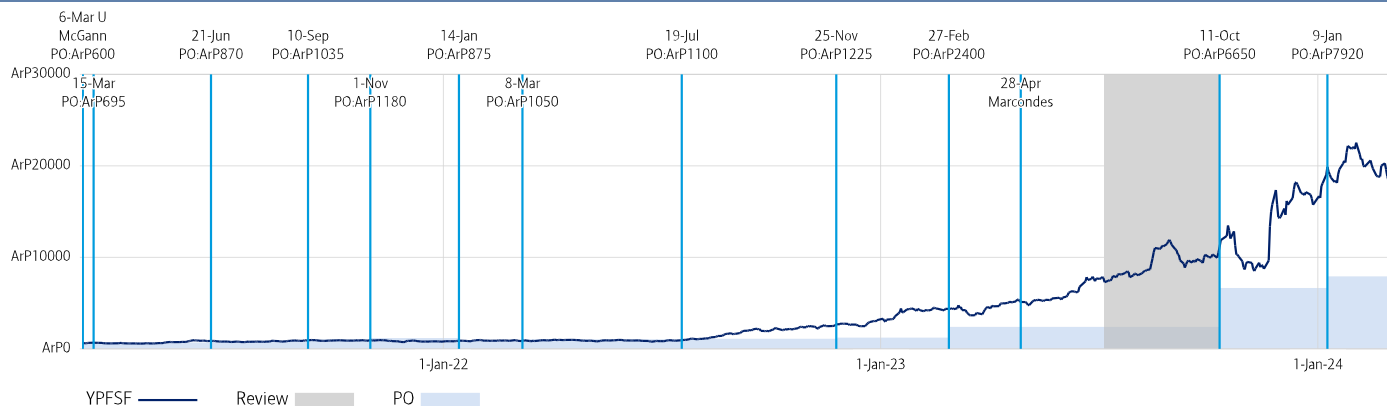
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### YPF SA (YPFSF) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Hold	832	23.54%	Hold	454	54.57%
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