Argentina Power & Utilities

Keep bullish view despite recent rally – Buy EDN and PAM

Price Objective Change

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Equity
Latin America
Utilities-Other

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Regulatory de-risking gains traction – increasing POs

We update our estimates and POs for Argentine Utilities following the rally driven by Javier Milei's election as president (see Milei elected president, 20 Nov 2023). Stocks outperformed (+48% on avg, vs +7% MSCI LatAm) as Milei took first steps towards a regulatory overhaul of the sector. We keep our bullish view due to: 1) potential regulatory de-risking at 2024 tariff reviews, 2) de-regulation pushing gas and oil prices higher, lowering export barriers and spurring new capital allocation opportunities. Edenor (EDN, Buy) is our top pick. We have a Buy rating on Pampa (PAM) and Neutral rating on CEPU.

Milei's initiatives paving the way for re-rate potential

In his first two months of administration, President Milei announced faster-than-expected macroeconomic adjustments that were welcomed by investors (see Argentina Watch, 14 December 2023). Milei also set an overhaul of the energy sector as a priority, defining a timeline for tariff reviews in power and gas distribution (YE24). Other important measures announced: 1) faster FX devaluation, 2) subsidies cuts, which could increase power distribution tariffs by 200%, 3) new directors in regulatory bodies.

Edenor (Buy): top pick with new US$30 PO (48% upside)

EDN was the main outperformer since elections, up +70% vs +30% PAM and +44% CEPU. In our view, the outperformance supports our view that EDN is the main beneficiary from the potential regulatory de-risking and we see its 2024 tariff review as the key catalyst. In our estimate, EDN shares currently discount a 60% probability of its overdue tariff adjustment (+100% vs current levels in real terms BofAe) being implemented. We raise our PO to US$30 (vs US$22, 48% upside) as we incorporate recent results. We estimate EDN trading at 2.9x 2025E EV/EBITDA (-34% vs hist. avg.)

Pampa (Buy): low-risk CF profile at discounted valuation

Within our coverage, PAM outperformed the least (+30% vs +48% avg). In our view, the softer performance was driven by: 1) investors' skepticism about gas production growth as the halt of public works may impact new gas pipelines, 2) lower beta. However, we see PAM benefiting from: 1) lower restriction to gas exports, 2) better remuneration of legacy power generation, and 3) regulatory de-risking of TGS and Transener equity stakes. We also like PAM's predictable CF with 85% of its EBITDA USD-linked (see Will Argentina (utilities) score again?). Keep Buy with new US$62 PO (vs US$55).

Central Puerto (N): fewer catalysts and balanced valuation

We keep our Neutral on CEPU as we think the company is least likely to benefit from expected regulatory changes, which we think that will be more relevant for distribution assets (CEPU NAV is 80% linked to power generation assets). Moreover, we think that the lowest discount vs historical levels (4.0x EV/EBITDA vs 4.2x) mostly reflects expected improvements in legacy power generation remuneration. We thus keep our Neutral rating with a new US$11 PO (from US$8).

Exhibit 1: Argentina Power & Utilities coverage

We update our POs to incorporate recent results, new macro estimates

Company	Edenor	Pampa Energia	Central Puerto
Ticker	EDN	PAM	CEPU
Rating	Buy	Buy	Neutral
New PO	30.0	62.0	11.0
Old PO	22.0	55.0	8.0
Var.	36%	13%	38%
Upside	48%	23%	20%

Source: BofA Global Research estimates
BofA GLOBAL RESEARCH

LT = long-term

CF = cash-flow

Refer to important disclosures on page 13 to 16. Analyst Certification on page 12. Price Objective Basis/Risk on page 11.
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Timestamp: 07 January 2024 06:15PM EST

Argentina Power & Utilities PO changes

We increase our POs for Argentina Utilities by ~30% (avg.) as we revisit our earnings estimates to incorporate recent results, new macro and reduce our cost of capital by 200bps to incorporate ongoing regulatory de-risking (Exhibit 2). Stocks outperformed (+48% on avg, vs +7% MSCI LatAm – Exhibits 4-5) as Milei took first steps towards the much-awaited regulatory de-risking at 2024 tariff reviews and economic de-regulation pushing higher gas and oil local prices and lower export barriers.

We rank Edenor our top pick as we see the company as the main beneficiary from the potential regulatory de-risking. In addition, Edenor is trading at 34% discount to historical levels if we assume 2024 tariff review being implemented with US$690mn regulatory EBITDA (Exhibit 3).

We reiterate our Buy rating on Pampa as we see the company benefiting from: 1) lower restriction to exports, 2) better remuneration of legacy power generation contracts, and 3) regulatory de-risking of TGS and Transener equity stakes. We also like PAM's predictable CF with 85% of its EBITDA USD-linked. On valuation, we see Pampa trading at 38% discount to historical levels, which supports our bullish view (Exhibit 3).

We keep our Neutral on CEPU as we think the company is least likely to benefit from expected regulatory changes (see Will Argentina (utilities) score again?). Nevertheless, Central Puerto is trading at the lowest discount vs historical average within coverage (only 5% discount – Exhibit 3). Despite similar IRR vs PAM, we see a lower duration for CEPU translating into lower upside potential (Exhibit 8-9).

Exhibit 2: Argentina Power & Utilities coverage
We update our POs to incorporate recent results, new macro estimates

		Rating	Curr. Price	Upside	PO			Ke, USD		
					New	Old	Var.	New	Old	Var.
Edenor	USD	Buy	20.3	48%	30.0	22.0	36%	18.0%	20.1%	-205 bps
	ARS		964	251%	3,380	650	420%			
Pampa Energia	USD	Buy	50.4	23%	62.0	55.0	13%	14.8%	16.8%	-205 bps
	ARS		1,855	201%	5,580	1,260	343%			
Central Puerto	USD	Neutral	9.2	20%	11.0	8.0	38%	15.8%	17.8%	-205 bps
	ARS		900	175%	2,470	480	415%			

Source: BofA Global Research estimates

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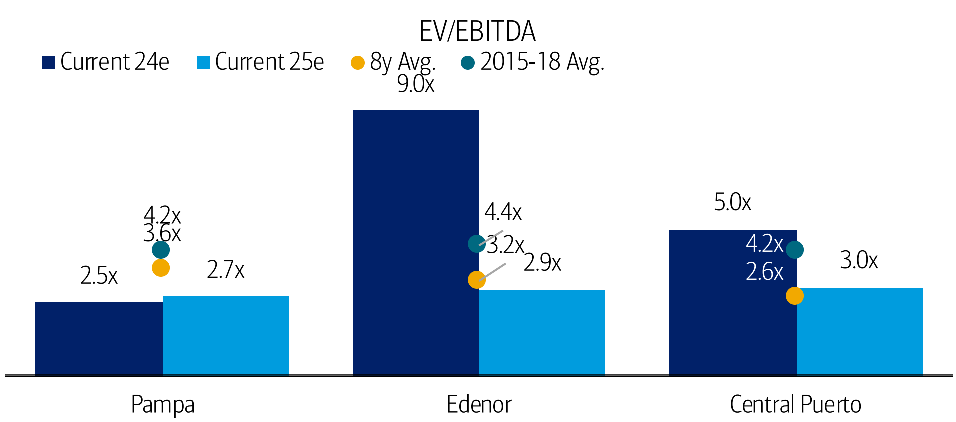
Exhibit 3: Argentina Power & Utilities coverage – EV/EBITDA
Assuming 96% 24e tariff increase (real terms), EDN is trading at 34% discount 25e EV/EBITDA vs 15-18 avg.
*Forward multiples already adjusted by Ke



Source: BofA Global Research estimates

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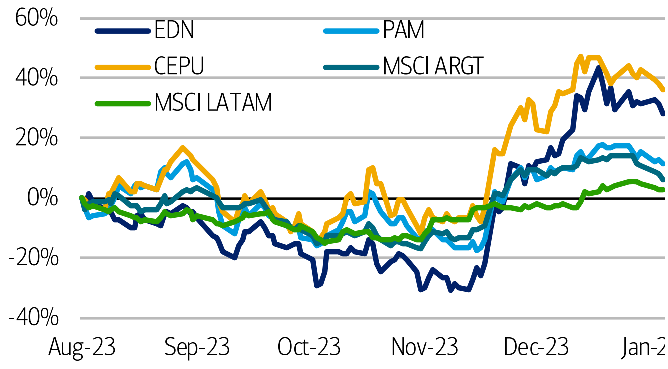
Exhibit 4: Argentina Utilities Performance since August/2023
Edenor +33%, Pampa +12%, Central Puerto +36%



Source: Bloomberg

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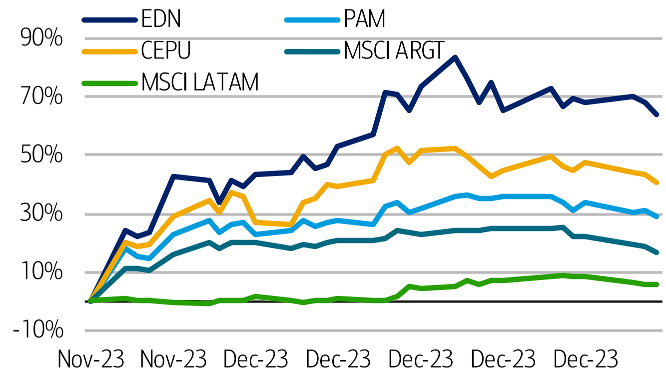
Exhibit 5: Argentina Utilities Performance since elections
Edenor +70%, Pampa +30%, Central Puerto +44%



Source: Bloomberg

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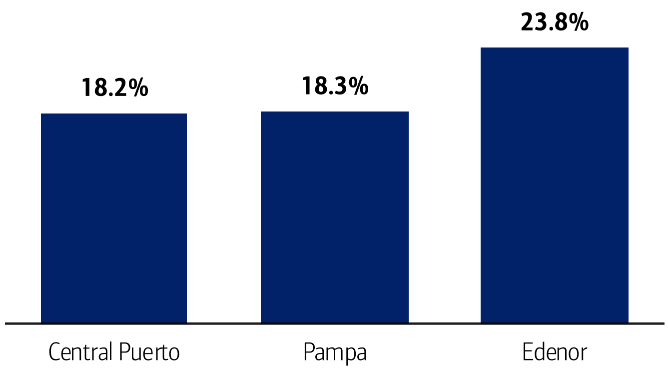
Exhibit 6: Argentina Power & Utilities coverage – IRR USD nominal
Edenor is trading at 23.8% IRR USD nominal



Source: BofA Global Research estimates

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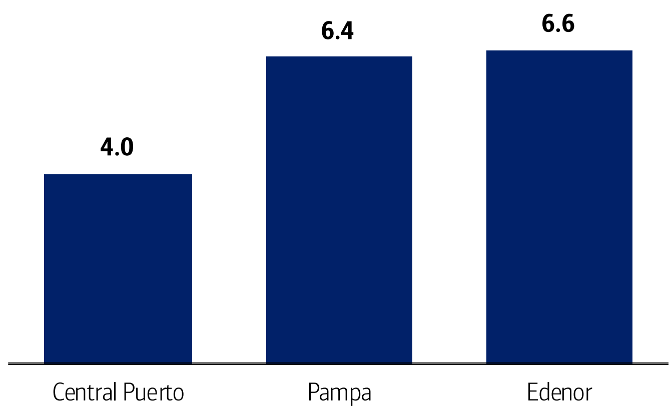
Exhibit 7: Argentina Power & Utilities coverage – duration (years)
Edenor has the longest CF duration within coverage



Source: BofA Global Research estimates

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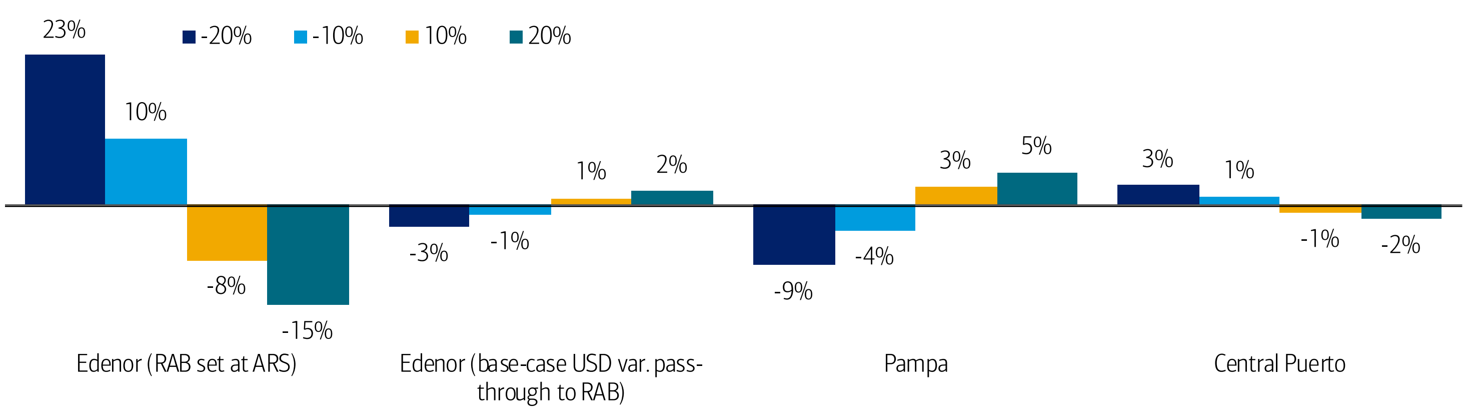
Exhibit 8: Argentina Power & Utilities coverage – ARS devaluation (vs base-case) impact on NPV
We assume a 2,280 ARS/USD in FY24 and 4,500 FY25



Source: BofA Global Research estimates

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Sharpe ratio analysis: pick risk-reward

We have run a sensitivity analysis to determine how the Sharpe ratio changes for different combinations of Buy-rated PAM and EDN, also factoring in its covariance. We show that corner scenarios are suboptimal for the sake of maximizing the Sharpe ratio of different combinations of PAM and EDN.

The Sharpe ratio is a measure of excess return per unit of risk (volatility). The excess return is estimated as the 12M expected return for the stocks (dividends + capital gain) minus the risk-free (Risk Free of the US Market).

Assuming mean-variance optimization (MVO), investors could maximize Sharpe ratio (expected risk-adjusted return) by having a 40% exposure to Pampa Energia and 60% to Edenor

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Exhibit 9: Sharpe ratio analysis for PAM and EDN
Sharpe ratio sensitivity to different allocations

	Sharpe Ratio	Weights			
		PAM	EDN	Volatility	Return
	0.744	0%	100%	64%	47.9%
	0.779	10%	90%	58%	45.4%
	0.814	20%	80%	53%	42.9%
	0.845	30%	70%	48%	40.4%
	0.865	40%	60%	44%	38.0%
	0.864	50%	50%	41%	35.5%
	0.831	60%	40%	40%	33.0%
	0.765	70%	30%	40%	30.5%
	0.674	80%	20%	42%	28.1%
	0.572	90%	10%	45%	25.6%
	0.472	100%	0%	49%	23.1%
Optimal Combination	0.865	40.0%	60.0%	43.9%	38.0%

Source: BofA Global Research estimates

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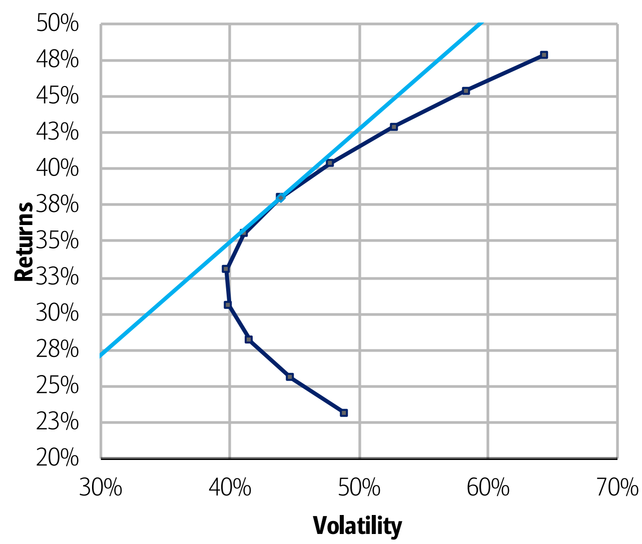
Exhibit 10: Risk/Return for PAM and EDN
Return per unit of risk (volatility)



Source: BofA Global Research estimates

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Edenor: Top pick with 48% upside

We rank Edenor our top pick within our Argentina Power & Utilities coverage as we see the company as the main beneficiary from the expected regulatory de-risking. In our view, the key catalyst is the 2024 tariff review, for which we estimate 96% tariff increase in real terms (260% nominal). Notably, we do not discard the possibility of the tariff adjustment being implemented gradually. We update our estimates to incorporate recent results and new macro estimates as well as reduce our Ke by 200bps to reflect improving regulatory outlook. Our PO is up to US$30 (vs US$22), implying 48% upside.

In our base-case, we estimate US$680mn reg. EBITDA under relatively conservative assumptions such as: 1) 30% capex -to-RAB haircut, 2) inflation adjustments with 6M delay. As sensitivity analysis, each +/-10% haircut implies +/-12% NPV. We also estimate +38% NPV in a bull-case in which EDN gets compensation for overdue readjustments.

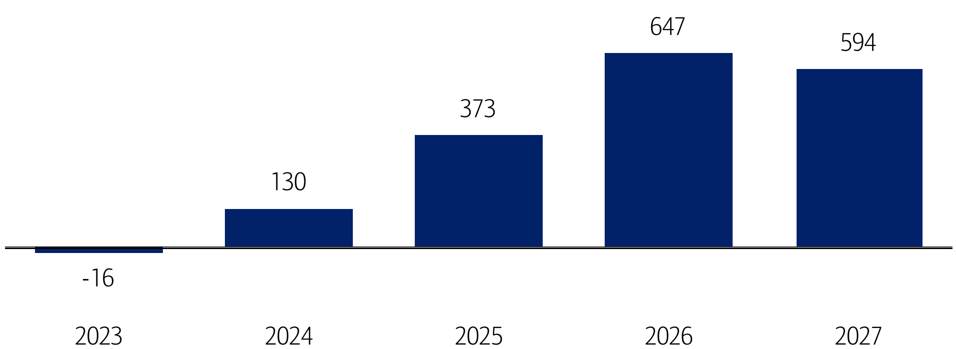
The timing: authorities expect tariff reviews to be concluded by the end of 2024

Edenor's 2024 tariff review process began in July 2023 and the company expected the final terms to be published still in 1H24. However, recent changes of directors in the regulatory agency (ENRE) could delay the process.

The government established "emergency status" for the energy sector, which defines that tariff reviews needs to be concluded by YE24 with updated regulatory guidelines.

Argentina's government will host a public hearing on Jan-26th to discuss the transitory adjustments. According to local news, Edenor asked for a ~200% increase in its margin (vs 104% 2H23 inflation).

Exhibit 11: Edenor adj. EBITDA (US$mn)
We consider the tariff review in mid-2024 and inflation adjustments with 6-months delay



Source: BofA Global Research estimates

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The risk: political friction and potential tariff increase deferral

In our estimates, the implementation of the same methodology of 2016 tariff review implies a US$680mn regulatory EBITDA for EDN. In our estimate, such EBITDA level would represent a ~260% increase vs current power distribution margin (VAD – 96% increase in real terms). While we concede that the tariff hike could be unpopular, we note that power distribution margins represent only ~20% of energy bills and thus the total impact to final tariffs would be limited to +~50%.

On the other hand, authorities recently announced cuts to subsidies for energy bills. Excluding such subsidies, final tariffs could increase by ~150% (on top of the 50% increase derived from EDN's tariff review).

Given the magnitude of the potential tariff hike, we dot no discard the possibility of tariff increases being implemented gradually. However, the deferrals should result in limited NPV impact if adjusted by the regulatory WACC (BofAe 10% real terms after tax).

Bull and Bear scenarios

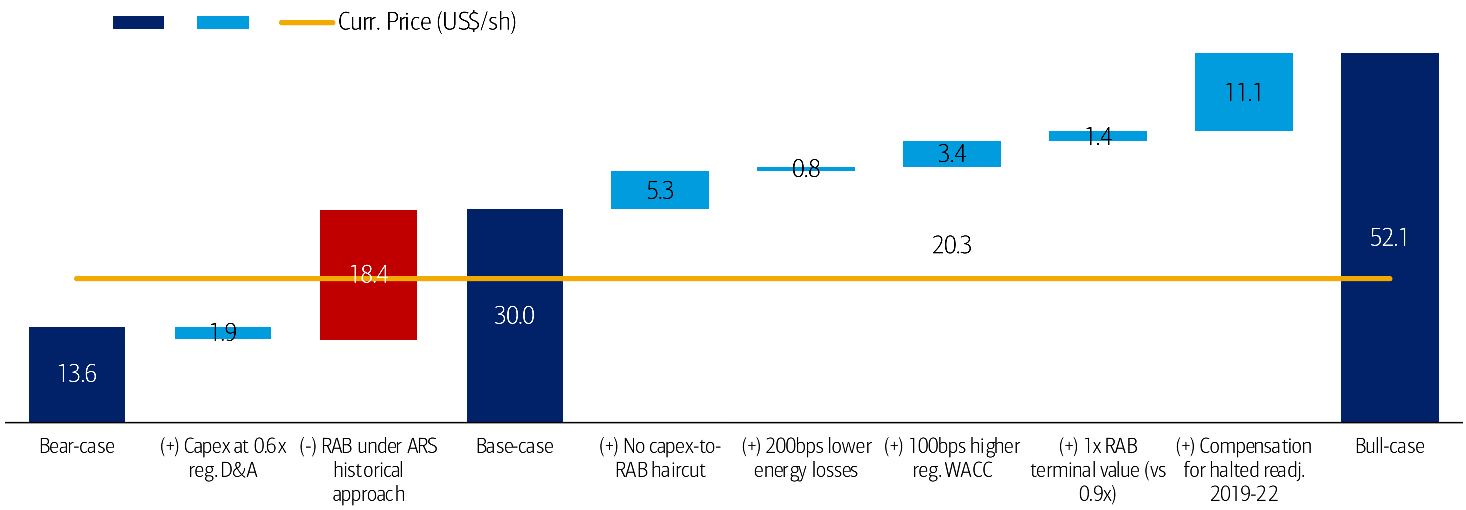
In our base-case we estimate a US$680mn regulatory EBITDA at 2024-28 tariff cycle vs US$550mn reg. EBITDA set in 2016 tariff review (2017-21 cycle).

Other assumptions include:

1) RAB calculation methodology at USD terms given "VNR" approach ("New Replacement Value").
2) Regulatory WACC at 10% USD real terms after-tax (Exhibit 5)
3) 30% capex-to-RAB haircut (given ~25% investments in "non-electric" assets) and regulatory Opex in-line with actual expenses
4) Regulatory D&A at 2.2% of Gross RAB in-line with 2017-21 cycle
5) 10.1% regulatory energy losses (vs 16% actual), in-line with 2017-21 cycle

We based our calculations at same methodology applied in the 2016 Tariff Review. We see risks for a methodology change given new appointed regulators. However, in our view, the economics and returns should be similar.

Exhibit 12: Edenor bull and bear scenario analysis
We set a new US$30 PO (48% upside)



Source: BofA Global Research estimates

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Change in estimates

We update our estimates to incorporate recent results and new macro with faster ARS devaluation and higher inflation in the short-term. We decrease our EBITDA estimates for 2024 and 2025 given faster ARS devaluation (FX rates at 800 FY24 and 2,280 FY25) but increase our EBITDA estimates from 2026 onwards given the expected tariff review.

We increase our PO by 36% (new PO at US$30 vs US$22 old) as we reduce our Ke by 200bps and set a higher Regulatory Asset Base assuming future investments linked USD – which should translate into higher residual value.

Exhibit 13: Edenor change in estimates (US$mn)

We update our estimates to incorporate recent results and new macro. We estimate a full tariff review application in mid-2024 with full impact from 2025 onwards

	2023E	2024E	2025E	2026E	2027E
Net Revenues, new	549	778	1,227	1,464	1,357
Net Revenues, old	1,601	1,757	1,945	1,806	1,677
Var.	-66%	-56%	-37%	-19%	-19%
EBITDA, new	-16	130	373	647	594
EBITDA, old	141	403	671	621	575
Var.	-111%	-68%	-44%	4%	3%
Net Income, new	-110	-46	140	349	362
Net Income, old	-50	69	290	294	300
Var.	119%	-167%	-52%	19%	21%
Net Debt, new	93	145	-1	-231	-392
Net Debt, old	162	245	99	-61	-189
Var.	-43%	-41%	-101%	280%	108%

Source: BofA Global Research estimates

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Pampa: Buy with US$62 PO (23% upside)

We continue to like Pampa's 1) unique exposure to gas production (in Vaca Muerta field) long-term trend, 2) relatively shielded cash-flow profile (85% EBITDA linked to USD) and 3) discounted valuation (35% discount vs historical levels). Moreover, we see limited downside risks in a bear-case scenario under sensitivity analysis (chart below).

In our view, the relatively softer performance vs peers since the elections is driven by lower beta (~0.90) and some skepticism about gas production growth in the short-term. Milei's government halted public works, which could delay the implementation of new gas pipelines. Notably, we consider only current capacity in our base-case. However, we see upside risk to gas production as we see the Vaca Muerta development as key to ARS's stabilization plan as it could bring to Argentina USD-linked revenues from hydrocarbons exports and reduce the country's energy deficit (both in gas and power).

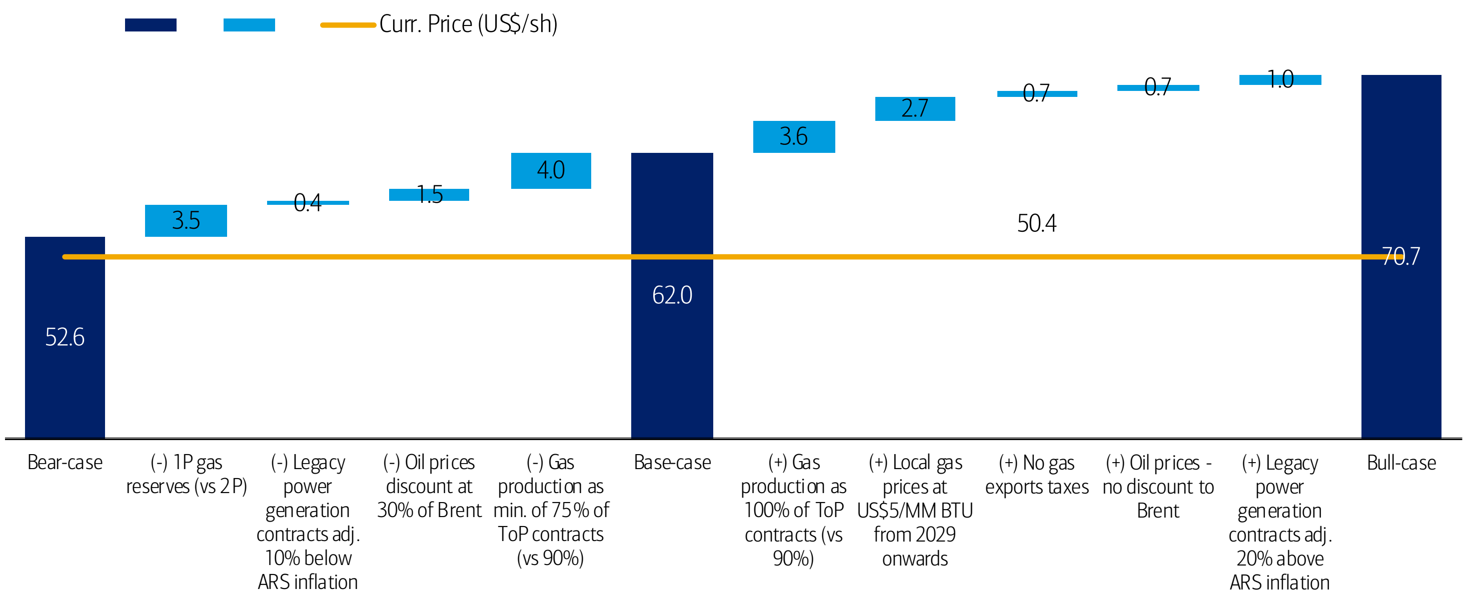
Upside risks from government recent announcements

In our view, the main upside risks from recent government announcements are: 1) higher local gas and oil prices due to non-regulated market implementation), 2) reduced exports taxes on hydrocarbons (7% of gas production is exported, ~4% of consolidated EBITDA), 3) regulatory de-risking in TGS (gas transportation) and Transener (power transmission) subsidiaries with regulated revenues, and 4) higher remuneration of legacy power generation capacity (linked to ARS revenues).

The risk: CAMMESA payment delays, PetChem business

We see two main risks to current operations: 1) the prospect of CAMMESA payment delays given the amount of contracts/tariffs readjustments and faster FX devaluation impacting sector funds (+/-1% NPV each +/- 5 days of receivables vs current 87 days), and 2) lower PetChem business results due to higher competition from imports (e.g. Braskem) given lower barriers.

Exhibit 14: Pampa bull and bear scenario analysis
We set a new US$62 PO (23% upside)



Source: BofA Global Research estimates

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Change in estimates

We update our estimates to incorporate recent results and new macro with faster ARS devaluation and higher inflation in the short-term. We decrease our EBITDA estimates by 9% assuming a faster ARS devaluation impacting power generation contracts linked to ARS and a renewable asset swap with still non-productive oil field on Vaca Muerta.

We increase our PO by 13% (new PO at US$62 vs US$55 old) as the lower EBITDA estimates were offset by a 200bps Ke decrease and higher valuation of equity stakes (TGS and Transener) given the regulatory de-risking and expected tariff reviews.

Exhibit 15: Pampa Energia change in estimates (US$mn)
We update our estimates to incorporate recent results and new macro

	2023E	2024E	2025E	2026E	2027E
Net Revenues, new	1,792	1,740	1,704	1,714	1,713
Net Revenues, old	1,930	2,039	1,803	1,814	1,813
Var.	-7%	-15%	-6%	-6%	-6%
EBITDA, new	759	847	822	852	875
EBITDA, old	858	917	911	947	959
Var.	-11%	-8%	-10%	-10%	-9%
Net Income, new	673	374	356	396	430
Net Income, old	413	614	501	642	891
Var.	63%	-39%	-29%	-38%	-52%
Net Debt, new	24	-148	-357	-602	-862
Net Debt, old	703	425	250	-44	-366
Var.	-97%	-135%	-243%	1262%	135%

Source: BofA Global Research estimates

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Central Puerto: Neutral (20% upside)

We value Central Puerto's solid capital allocation (+245MW installed capacity in projects announced in past 3 months at ~20% USD nominal IRR BofAe). However, we think the company is less likely to benefit from regulatory de-risking, which we see as the main driver for the sector in 2024.

Current valuation also curbs our enthusiasm. At current price, we estimate CEPU trading at 4.0x EV/EBITDA (24-25 average) vs 4.2x 2015-18 levels, which leaves CEPU as the only stock trading at the lowest discount in our Argentina Utilities coverage. We thus reiterate our Neutral rating on CEPU with a new US$11 PO as we update our estimates by recent results, new macro estimates and recent acquisitions.

In our view, the main potential upsides to Central Puerto are: 1) higher remuneration in power generation legacy capacity, and 2) capital allocation opportunities as we see the company with the highest growth appetite within our coverage.

As a sensitivity analysis, each +/-10% above inflation legacy generation remuneration adds +/-8% NPV. Moreover, we estimate +4% NPV vs our base-case if CEPU invests its remaining FY24 cash position at ~20% nominal USD IRR (in-line with recent projects).

Change in estimates

We update our estimates to incorporate recent results and new macro with faster ARS devaluation and higher inflation in the short-term. We decrease our EBITDA estimates by 30% in the short-term assuming a faster ARS devaluation impacting power generation contracts linked to ARS. The EBITDA decrease is partially offset from 2026 onwards given the announcement of growth projects (+245MW installed capacity in projects announced in past 3 months).

We increase our PO by 38% (new PO at US$11 vs US$8 old) as the lower EBITDA estimates were offset by a 200bps Ke decrease, recent acquisitions at good returns. We increase our net income estimates by ~30% in the long-term given CVO Receivable accounting adjustments (USD-linked).

Exhibit 16: Central Puerto change in estimates (US$mn)

We update our estimates to incorporate recent results, acquisitions and new macro

	2024E	2025E	2026E	2027E
Net Revenues, new	359	442	501	493
Net Revenues, old	538	593	575	558
Var.	-33%	-25%	-13%	-12%
EBITDA, new	206	263	315	309
EBITDA, old	307	357	344	331
Var.	-33%	-26%	-8%	-7%
Net Income, new	183	438	452	445
Net Income, old	137	273	292	338
Var.	33%	60%	55%	32%
Net Debt, new	142	-297	-668	-924
Net Debt, old	-108	-360	-561	-758
Var.	-231%	-17%	19%	22%

Source: BofA Global Research estimates

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Exhibit 17: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CEPU	CEPU US	Central Puerto	US$ 8.93	C-2-9
CEPUF	CEPU AR	Central Puerto	ArP 1040.25	C-2-9
EDN	EDN US	Edenor	US$ 18.39	C-1-9
XEDTF	EDN AR	Edenor	ArP 1034.3	C-1-9
PAM	PAM US	Pampa Energia	US$ 48.17	C-1-9
PPENF	PAMP AR	Pampa Energia	ArP 2208.6	C-1-9

Source: BofA Global Research

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Price objective basis & risk

Central Puerto (CEPU / CEPUF)

Our PO of US$11 / AR$2470 for Central Puerto is based on a DCF model, discounting the estimated free cash flow to equity at a 15.8% USD nominal cost of equity. Our key assumptions are: 1) no hydro concession renewal, 2) Power Generation "Legacy" contracts in-line with Argentina inflation, 3) steam sales revenues linked to US Dollars, 4) Forestry business revenues flat vs 1Q23 and linked to US Dollars, 5) SG&A and COGS increase linked to ARS Pesos and Argentina Inflation.

Upside risks: 1) new power generation growth opportunities with attractive returns, 2) better funding conditions, 3) higher remuneration for legacy generation projects, 4) higher sales prices in forestry business, 5) renewal of hydro plant Piedra del Águila concession.

Downside risks: 1) below Argentina inflation readjustments for legacy power generation contracts, 2) receivables delays in power generation contracts with CAMMESA, 3) Interest in FONIVEMEM plants could be diluted.

Edenor (EDN / XEDTF)

Our PO of US$30 / AR$3380 for Edenor is based on a DCF model, discounting estimated free cash flow to equity at a 18% nominal cost of equity in USD. Our key assumptions are: 1) Full Tariff Review in mid-2024 considering: 10% regulatory WACC, 30% capex to RAB haircut, no regulatory opex haircut vs current levels, 2) 2% Volumes growth in 2023-24 and 1.5% from 2025 onwards, 3) -100bps energy loss until 2025, reaching 15% vs 10% regulatory levels, 4) new debt as 50% of capex, 5) Edenor investing 1x of regulatory depreciation.

Upside risks: 1) higher-than-expected regulatory returns (reg. WACC), 2) lower capex-to-RAB haircut vs 15% base-case, 3) lower regulatory opex haircut vs 10% base-case, 4) higher energy demand growth, 5) energy losses improvement above 15% BofA base-case (vs 10% regulatory levels), 6) Compensation for unproper tariffs readjustments in 2019-22 period.

Downside risks: 1) worse than expected full tariff review results, 2) lower energy demand growth, 3) peso devaluation (100% revenues linked to ARS Pesos), 4) tariffs readjustment deferral with no compensation.

Pampa Energia (PAM / PPENF)

Our US$62 / AR$5580 PO for Pampa is based on a DCF, discounting estimated free cash flow to equity at a 14.8% US nominal cost of equity. We apply a reasonable lower cost of equity versus other utilities companies given Pampa's cash-flow profile 85% linked to USD and protected against ARS devaluation. Our key assumptions are: 1) Natural gas production reaching 13.8mcmpd in 2025 according to company guidance, 2) Oil Brent in US$80/bbl in 2023, US$90/bbl in 2024 and US$70/bbl in 2025 onwards and Pampa selling its production with an 10% average discount, 3) Petrochemicals EBITDA growth in-line with Gas Upstream business, 4) Power Generation "Legacy" contracts in-line with Argentina inflation.

Upside risks: 1) gas production increase above base-case with NK Pipeline 2nd stage operational start and new sales contracts with CAMMESA or industrials, 2) new power generation growth opportunities with attractive returns, 3) better funding conditions, 4) tariff adjustments for regulated businesses in subsidiaries (TGS and Transener), 5) higher remuneration for legacy generation projects.

Downside risks: 1) delays in start-up of new generation plants and expansion of the electricity transmission system, 2) dependence on gas supply to thermal power plants, 3) below inflation readjustments for legacy power generation contracts, 4) receivables delays in power generation contracts with CAMMESA.

Analyst Certification

We, Gustavo Faria and Arthur Pereira, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Latin America - Utilities Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alupar	XDFCF	ALUP11 BZ	Arthur Pereira, CFA
	COPEL	ELP	ELP US	Arthur Pereira, CFA
	COPEL PN	XLPUF	CPLE6 BZ	Arthur Pereira, CFA
	Edenor	XEDTF	EDN AR	Gustavo Faria
	Edenor	EDN	EDN US	Gustavo Faria
	Eletrobras	CAIFF	ELET3 BZ	Arthur Pereira, CFA
	Eletrobras	EBR	EBR US	Arthur Pereira, CFA
	Eletrobras-Pref	EBRB	EBR/B US	Arthur Pereira, CFA
	Eletrobras-Pref	CAIGF	ELET6 BZ	Arthur Pereira, CFA
	Energisa S/A	XLXGF	ENGI11 BZ	Arthur Pereira, CFA
	Eneva	XZUMF	ENEV3 BZ	Arthur Pereira, CFA
	Equatorial	XKERF	EQTL3 BZ	Arthur Pereira, CFA
	Neoenergia	XGXGF	NEOE3 BZ	Arthur Pereira, CFA
	Pampa Energia	PPENF	PAMP AR	Gustavo Faria
	Pampa Energia	PAM	PAM US	Gustavo Faria
	SABESP	CSBJF	SBSP3 BZ	Arthur Pereira, CFA
	SABESP	SBS	SBS US	Arthur Pereira, CFA
	Serena Energia	XZQAF	SRNA3 BZ	Arthur Pereira, CFA
NEUTRAL				
	Auren Energia	XZMXF	AURE3 BZ	Arthur Pereira, CFA
	Cemig	CIG	CIG US	Arthur Pereira, CFA
	Cemig	CEMCF	CMIG4 BZ	Arthur Pereira, CFA
	Central Puerto	CEPU	CEPU US	Gustavo Faria
	Central Puerto	CEPUF	CEPU AR	Gustavo Faria
	COPASA	CSAOF	CSMG3 BZ	Arthur Pereira, CFA
	TAESA	XTAEF	TAEE11 BZ	Arthur Pereira, CFA
UNDERPERFORM				
	AES Brasil	XDFDF	AESB3 BZ	Arthur Pereira, CFA
	CPFL Energia	XPFGF	CPFE3 BZ	Arthur Pereira, CFA
	CTEEP	XOOTF	TRPL4 BZ	Arthur Pereira, CFA
	Engie Brasil	XZDDF	EGIE3 BZ	Arthur Pereira, CFA
	Sanepar	XJALF	SAPR11 BZ	Arthur Pereira, CFA
RVW				
	Ambipar	XAPEF	AMBP3 BZ	Arthur Pereira, CFA

Disclosures

Important Disclosures

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	72	46.45%	Buy	52	72.22%
Hold	45	29.03%	Hold	32	71.11%
Sell	38	24.52%	Sell	21	55.26%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2] Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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