

## Central Puerto

## 4Q23: Miss due to lower power generation

Maintain Rating: NEUTRAL | PO: 11.00 USD | Price: 7.88 USD

## 4Q23: US\$46mn adj. EBITDA (-26% vs BofAe)

Central Puerto (CEPU) reported soft 4Q23 results with US\$46mn adj. EBITDA, down 32% YoY and a 26% miss to our estimates. The miss was mostly driven by lower thermal power generation in the 4Q23 due to: 1) lower energy demand in Argentina (-4% YoY) impacting power plants' dispatch and 2) good hydrology in the quarter. The miss in thermal power generation results was partially offset by a beat in hydro dispatch and wind assets output. The lower power generation vs our estimates (-32% vs BofAe) resulted in a 18% top-line miss, partially offset by 8% lower manageable expenses. Reported results were impacted by ~US\$60mn impairment reversal in the quarter. Into the bottom-line, CEPU reported a US\$51mn negative financial result and US\$90mn in equity income, leading to a US\$157mn reported net income.

## We maintain our Neutral rating with US\$11 PO

We keep our Neutral on CEPU as we think the company is least likely to benefit from expected regulatory changes within Argentina Power & Utilities coverage, which we think 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 (4.4-2.5x 24-25e EV/EBITDA vs 4.2x 2015-18 avg. during Macri's government and 2.6x 8y avg.) mostly reflects expected improvements in legacy power generation remuneration.

Estimates(Dec) (ArP)	2021A	2022A	2023E	2024E	2025E
EPS	(0.37)	12.60	10.62	275.17	1,300.65
GAAP EPS	(0.43)	12.60	11.36	275.17	1,300.65
EPS Change (YoY)	NM	NM	-15.7%	NM	372.7%
Consensus EPS (Bloomberg)			153.50	1,827.70	962.30
DPS	0.08	2.37	0.98	0	0
Common EPS (ArP)	(0.37)	12.60	10.62	275.17	1,300.65
Common DPS (ArP)	0.08	2.37	0.98	0	0
<b>Valuation (Dec)</b>					
P/E	NM	110.8x	599.9x	24.2x	5.1x
GAAP P/E	NM	110.8x	560.8x	24.2x	5.1x
Dividend Yield	0%	0.2%	0%	0%	0%
EV / EBITDA*	36.7x	21.0x	9.3x	2.1x	0.8x
Free Cash Flow Yield*	-0.3%	0.2%	-5.3%	-16.3%	164.4%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

11 March 2024

## Equity

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## Stock Data

Price (ADR / Common)	7.88 USD / 823.60 ARS
Price Objective	11.00 USD / 2,470.00 ARS
Date Established	7-Jan-2024 / 7-Jan-2024
Investment Opinion	C-2-9 / C-2-9
52-Week Range	4.69 USD - 9.84 USD
Market Value (mn)	1,193 USD
Free Float	0%
Average Daily Value	2.21 USD
Shares Outstanding (mn)	151.4 / 151.4
BofA Ticker / Exchange	CEPU / NYS
BofA Ticker / Exchange	CEPUF / BUE
Bloomberg / Reuters	CEPU US / CEPU.N
ROE (2023E)	4.0%
Net Dbt to Eqty (Dec-2022A)	20.7%

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**Refer to important disclosures on page 6 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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Timestamp: 11 March 2024 06:35AM EDT

# iQprofile<sup>SM</sup> Central Puerto

## iQmethod<sup>SM</sup> – Bus Performance\*

(ArP Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	9.0%	23.6%	16.9%	31.7%	38.2%
Return on Equity	-0.6%	9.8%	4.0%	54.9%	111.8%
Operating Margin	46.5%	61.6%	67.2%	59.6%	56.0%
Free Cash Flow	(3,046)	2,476	(53,585)	(165,083)	1,660,996

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(ArP Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	0.3x	-2.5x	0.4x	0.9x
Asset Replacement Ratio	0.5x	0.2x	0.3x	3.0x	0.5x
Tax Rate	108.5%	26.0%	49.6%	34.7%	34.8%
Net Debt-to-Equity Ratio	33.7%	20.7%	28.5%	33.3%	-52.3%
Interest Cover	1.4x	1.4x	1.7x	7.8x	7.8x

## Income Statement Data (Dec)

(ArP Millions)	2021A	2022A	2023E	2024E	2025E
Sales	57,079	101,393	220,565	818,782	1,988,135
% Change	49.8%	77.6%	117.5%	271.2%	142.8%
Gross Profit	52,928	93,926	200,203	737,409	1,806,562
% Change	50.6%	77.5%	113.2%	268.3%	145.0%
EBITDA	26,312	46,030	103,173	470,036	1,185,057
% Change	29.9%	74.9%	124.1%	355.6%	152.1%
Net Interest & Other Income	(18,091)	(36,092)	(112,185)	150,081	1,906,675
<b>Net Income (Adjusted)</b>	<b>(554)</b>	<b>19,078</b>	<b>16,077</b>	<b>416,618</b>	<b>1,969,214</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>-15.7%</b>	<b>NM</b>	<b>372.7%</b>

## Free Cash Flow Data (Dec)

(ArP Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(648)	19,078	17,205	416,618	1,969,214
Depreciation & Amortization	10,711	19,451	39,987	108,618	277,750
Change in Working Capital	(15,376)	(52,877)	(165,972)	(364,964)	(48,917)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	7,638	20,175	68,193	(4,873)	(391,481)
Capital Expenditure	(5,372)	(3,351)	(12,998)	(320,483)	(145,570)
<b>Free Cash Flow</b>	<b>-3,046</b>	<b>2,476</b>	<b>-53,585</b>	<b>-165,083</b>	<b>1,660,996</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-208.1%</b>	<b>NM</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	(118)	(3,587)	(1,485)	0	0
Change in Debt	1,846	20,430	213,995	586,984	862,855

## Balance Sheet Data (Dec)

(ArP Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	282	9,244	119,343	541,244	3,065,094
Trade Receivables	NA	NA	NA	NA	NA
Other Current Assets	46,394	95,798	232,958	537,296	463,803
Property, Plant & Equipment	110,623	197,915	415,410	627,274	495,094
Other Non-Current Assets	43,660	78,987	208,482	433,983	852,935
<b>Total Assets</b>	<b>200,959</b>	<b>381,943</b>	<b>976,193</b>	<b>2,139,798</b>	<b>4,876,926</b>
Short-Term Debt	6,814	18,186	0	0	0
Other Current Liabilities	10,183	24,316	59,325	108,454	196,209
Long-Term Debt	36,182	45,241	277,422	864,405	1,727,260
Other Non-Current Liabilities	20,982	32,845	85,064	195,938	393,984
<b>Total Liabilities</b>	<b>74,161</b>	<b>120,588</b>	<b>421,810</b>	<b>1,168,797</b>	<b>2,317,453</b>
<b>Total Equity</b>	<b>126,797</b>	<b>261,355</b>	<b>554,383</b>	<b>971,001</b>	<b>2,559,474</b>
<b>Total Equity &amp; Liabilities</b>	<b>200,959</b>	<b>381,943</b>	<b>976,193</b>	<b>2,139,798</b>	<b>4,876,926</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Electric Utilities

## Company Description

Central Puerto is a power generation company with 7,115MW installed capacity (thermal, renewable, and hydro power plants). Central Puerto has stakes in 3 gas thermal power plants (combined cycles) and 3 minority stakes in gas distribution and transportation companies. Central Puerto has US\$295mn in FONI receivables outstanding to be collected until May/2028.

## Investment Rationale

We expect Central Puerto to continue with its growth agenda in power generation and the Central Costanera acquisition could be transformational for the company (+2.3GW Installed Capacity, +48% vs 2022). However, we see Central Puerto as the least exposed to expected positive catalysts ahead such as regulatory de-risking of regulated networks tariffs. Nevertheless, we estimate an almost flattish EBITDA CAGR 2020-25 vs 9% Pampa's. We thus rate CEPU a Neutral.

## Stock Data

Average Daily Volume	277,819
Shares / Common	1.00

## Quarterly Earnings Estimates

	2022	2023
Q1	3.16A	0.13A
Q2	1.53A	2.63E
Q3	2.97A	1.91E
Q4	4.92A	5.94E

# Central Puerto 4Q23 results

## Exhibit 1: Central Puerto reported a US\$46mn adj. EBITDA, -26% vs BofAe

Central Puerto consolidated results (US\$m)

Consolidated (US\$m)	4Q23A	4Q23E	4Q23A/ 4Q23E	4Q22A	4Q23A/ 4Q22A
Spot market revenues	48	24	103%	59	-19%
Sales under contracts	43	78	-45%	54	-21%
Steam sales	4	7	-46%	5	-16%
Forest activity revenues	2	8	-76%	0	0%
Resale of gas transport	0	1	-50%	0	0%
CVO thermal plant management	1	2	-50%	3	-65%
<b>Revenues</b>	<b>98</b>	<b>120</b>	<b>-18%</b>	<b>121</b>	<b>-19%</b>
Costs of Sales	-41	-46	-11%	-46	-11%
SG&A	-12	-12	1%	-12	0%
Impairment	54	0	0%	-79	-168%
Other operating income	141	12	1112%	58	143%
Other operating expense	-12	0	0%	-3	300%
<b>PMSO, adj.</b>	<b>-53</b>	<b>-58</b>	<b>-8%</b>	<b>-58</b>	<b>-9%</b>
<b>EBITDA</b>	<b>228</b>	<b>73</b>	<b>211%</b>	<b>39</b>	<b>490%</b>
<b>EBITDA Adj.</b>	<b>46</b>	<b>62</b>	<b>-26%</b>	<b>68</b>	<b>-32%</b>
EBITDA Mg.	47%	51%		56%	
(-) D&A	-26	-18	41%	-25	4%
				-25	
<b>EBIT</b>	<b>202</b>	<b>55</b>	<b>268%</b>	<b>14</b>	<b>1363%</b>
Loss on net monetary position	-41	-38	7%	-47	-13%
Finance income	149	8	1661%	47	217%
Finance expenses	-255	-9	2795%	-76	236%
Gain/loss of associates	96	1	12832%	68	41%
<b>Financial Result</b>	<b>-51</b>	<b>-38</b>	<b>34%</b>	<b>-8</b>	<b>538%</b>
<b>EBT</b>	<b>151</b>	<b>17</b>	<b>793%</b>	<b>6</b>	<b>2502%</b>
Income tax for the period	6	-6	-206%	8	-25%
<i>Tax Rate</i>	4%	-33%		138%	
<b>Net income for the period</b>	<b>157</b>	<b>11</b>	<b>1295%</b>	<b>14</b>	<b>1037%</b>

Source: BofA Global Research estimates, company report

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## Exhibit 2: Central Puerto reported a US\$46mn adj. EBITDA, -26% vs BofAe

Central Puerto consolidated results (US\$m)

Consolidated (US\$m)	4Q23A	4Q23E	4Q23A/ 4Q23E	4Q22A	4Q23A/ 4Q22A
<b>EBITDA, reported</b>	<b>228</b>	<b>73</b>	<b>211%</b>	<b>39</b>	<b>490%</b>
(+/-) Impairment	-54	0		79	
(+/-) FONI receivables adj.	-122	-12		-50	
(+/-) Biological assets	-6	0		0	
<b>EBITDA, Adj.</b>	<b>46</b>	<b>62</b>	<b>-26%</b>	<b>68</b>	<b>-32%</b>

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

## Exhibit 3: CEPU power generation came 32% below BofAe due to lower thermal dispatch in the quarter

Central Puerto power generation (GWh)

Power Generation	4Q23A	4Q23E	4Q23A/ 4Q23E	4Q22A	4Q23A/ 4Q22A
Thermal	3,007	6,123	-51%	2,867	5%
Hydro	1,678	1,039	62%	1,389	21%
Wind	410	352	16%	431	-5%
Solar	73	46	59%	0	0%
<b>Total (GWh)</b>	<b>5,168</b>	<b>7,560</b>	<b>-32%</b>	<b>4,687</b>	<b>10%</b>
<b>Steam Production</b>	<b>432</b>	<b>417</b>	<b>4%</b>	<b>345</b>	<b>25%</b>
<b>Load Factor</b>	<b>33%</b>	<b>48%</b>		<b>44%</b>	
Thermal	26%	53%		44%	
Hydro	53%	33%		44%	
Wind	50%	43%		53%	
Solar	32%	30%		-	

Source: BofA Global Research estimates, company report

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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. We assume a 2,280 ARS/USD in FY24.

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.

## 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
<b>BUY</b>				
	Alupar	XDFCF	ALUP11 BZ	Arthur Pereira, CFA
	Ambipar	XAPEF	AMBP3 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
<b>NEUTRAL</b>				
	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	TAE11 BZ	Arthur Pereira, CFA
<b>UNDERPERFORM</b>				
	AES Brasil	XDFDF	AESB3 BZ	Arthur Pereira, CFA

## Latin America - Utilities Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
Basic EBIT + Depreciation + Amortization

**iQmethod<sup>SM</sup>** is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

**iQdatabase<sup>®</sup>** is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

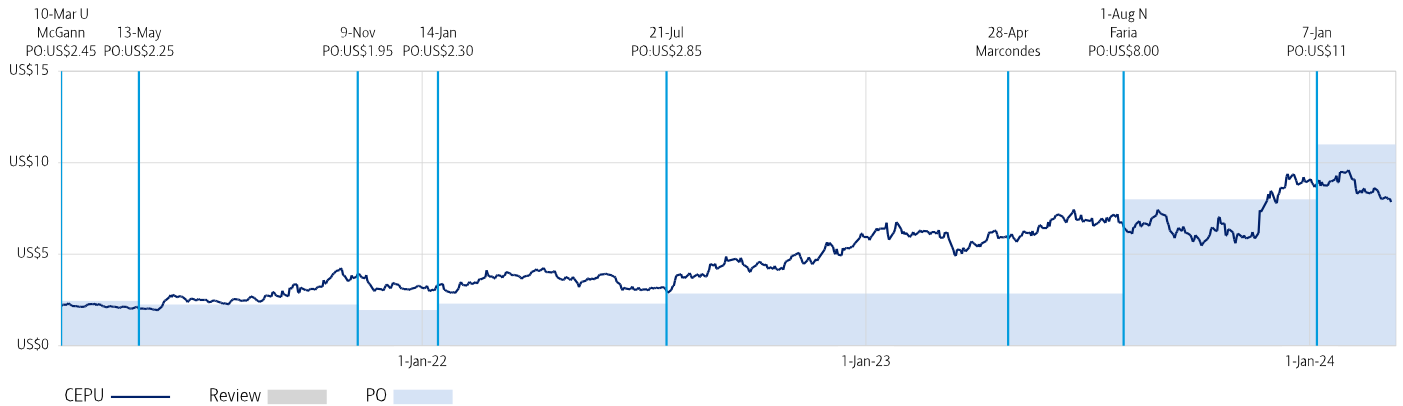
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## Important Disclosures

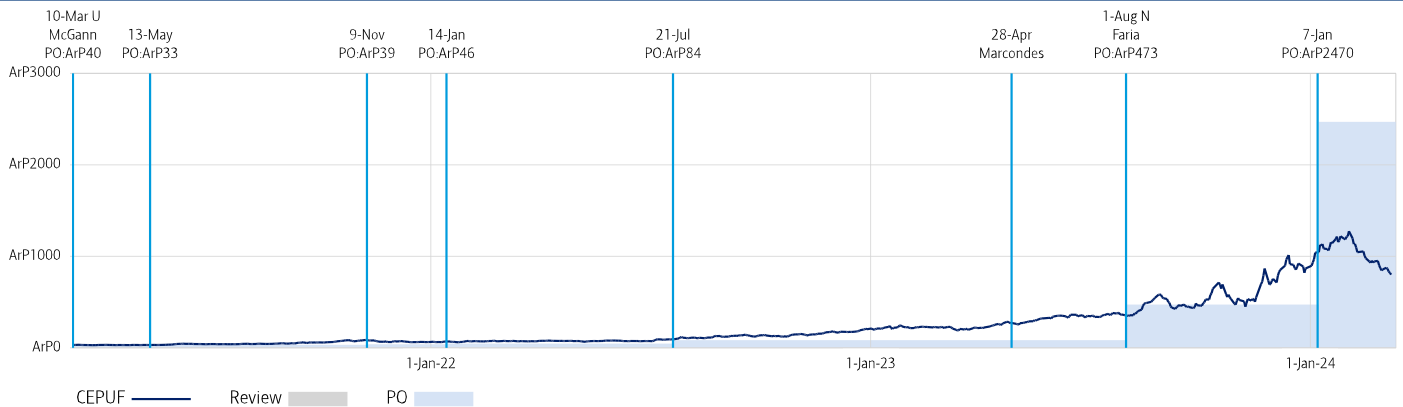
### Central Puerto (CEPU) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Central Puerto (CEPUF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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

<sup>R2</sup>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.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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