Pampa Energía Q1 2024 Conference Call

Buenos Aires, May 8, 2024 (10 am Eastern Time)
Presenting:
Gustavo Mariani, CEO
Nicolás Mindlin, CFO
Horacio Turri, Executive director of E&P
Adolfo Zuberbühler, Finance director
Lida Wang, Investor relations and sustainability officer

Hello everyone and thank you for joining our conference call. I'll make a quick summary of Q1 – you may find more details in our Earnings Release and financial statements. Today, we are having a Q&A with our CEO, Mr. Gustavo Mariani, CFO, Mr. Nicolás Mindlin, Mr. Horacio Turri, our head of E&P and Adolfo Zuberbühler, our finance director.

Let's start with the quarter figures. After a soft Q4, gas and power demand recovered. Pampa delivered 31% higher gas production year-on-year and 32% quarter-on-quarter, thanks to the new gas pipeline online in August last year. Remember that Pampa was awarded 4.8 million cubic meters per day out of 11 of the pipeline's capacity. This is very important as this late summer bloom prevented the country from importing and firing alternative fuels. Therefore, there is more local gas output, lesser FX outflow, a friendlier carbon footprint, and more power efficiency. Also, we kept boosting shale gas production, representing 40% of our total output this quarter, a significant increase compared to last year's 14%. In contrast, we've been experiencing significant delays in collecting CAMMESA payments, burying higher working capital. We learned that the Secretariat of Energy instructed CAMMESA to pay December 2023 and January 2024's transactions in face value dollar bonds – so we booked a 34 million impairment loss on trade receivables. We are awaiting the final resolution and analyzing the course of action.

The adjusted EBITDA for the quarter amounted to 189 million dollars, a decrease of 8% compared to last year's amount because of the payment haircut on CAMMESA's January receivables and lower gas exports, in addition to the drop of petchem and energy spot prices, the latter affected by the sharp AR$ devaluation in December. Higher domestic gas demand and lower net operating costs partially offset these effects. However, the EBITDA grew 70% quarter-on-quarter, mainly due to a recovery in gas and power demand. Notice that Q4 23 EBITDA is also affected by CAMMESA haircut on December's transaction.

Capex in Q1 slowed down, being 36% lower year-on-year, mainly because of the strong shale gas activity and PEPE 4 was developed in 2023, plus Q1 carried out the last disbursements of PEPE 6, which is estimated to be fully commissioned by October this year. This was partially offset by the beginning of the pilot plan for shale oil in Rincón de Aranda.

Moving on to power generation, as seen on slide 4, we posted an adjusted EBITDA of 85 million dollars in Q1, 22% lower year-on-year, mainly explained by the 17 million impairment of CAMMESA's January 2024 invoice explained before. It also impacted the AR$ devaluation on the spot prices and Mario Cebreiro's divestment, partially offset by lower operating costs and the commissioning of PEPE 4 in June last year.

Q4 dispatch increased 3% year-on-year, mainly due to Barragán's new CCGT, higher water levels at Mendoza hydros and PEPE 4's contribution, partially offset by lower fuel oil-fired generation and Loma's TG05 that, after being out of service for 6 months, resumed dispatch on January.

Take or pay capacity payment, especially from PPAs, explains most of the EBITDA. It is driven by availability, and in Q1, we reached 96%, higher than last year's 93%, mainly due to the previous year's thermal outages.

A quick brief on PEPE 6 expansion – the project's progress is 89% advanced. We mounted the 8th wind turbine on Monday, as seen in the installation status report. Meanwhile, the towers' components keep arriving at the site. The four power transformers have already been commissioned, tested and cleared by CAMMESA and Transener, but they are still awaiting China's approval. Finally, to avoid power transmission curtailments, we connected the wind farm to a new 500 kV high-voltage grid - the first three-point line protection system is already online, and the second has begun the process for commissioning. The estimated full COD will be in October. PEPE 6 energy will be sold under B2B PPAs.

Moving on to E&P, I wanted to quickly comment on gas deliveries, which recovered after Q4's soft demand thanks to the late summer bloom. As you can see, domestic sales are way above ToP, although exports to Chile are still struggling but better-off than last Q4. The winter season began this May, when we hit peak production.

Commenting on the segment's performance, on slide 7, our E&P business posted an adjusted EBITDA of 70 million dollars in Q1, 14% higher year-on-year. This increase was driven by higher domestic gas demand, unlocked by the commissioning of the new gas pipeline and hot weather. Lower gas exports, which I mentioned before, and lower crude oil sales offset this.

In Q1, our total production averaged above 73 thousand boe per day, 27% higher than last year. Zooming in, crude oil represented 6% of our E&P output but 16% of the segment's revenue. Gas keeps taking the lead, representing 94% of our total production.

Higher maintenance, treatment and transportation costs in El Mangrullo and Sierra Chata due to increased activity explained that our total lifting cost slightly grew by 4% year-on-year. Still, the rising output mostly positively impacted the lifting cost per boe, which decreased 19% year-on-year, recording 5.8 dollars per boe.

Also, this quarter, we started activities in Rincón de Aranda, which yielded promising results. We completed one DUC well targeting the Vaca Muerta shale formation, with initial production of over 1,300 barrels and currently producing practically at the same rate. Once the well testing is done and Duplicar is partially commissioned, we plan to resume production in the well tied-in in 2018.

Focusing on gas, our production in Q1 increased by 31% yearly and 32% quarter-on-quarter, averaging almost 12 million cubic meters per day, mainly driven by local demand, as explained before. 64% of the quarter's production came from El Mangrullo and 20% from Sierra Chata, our flagship shale gas fields. Regarding the campaign, we drilled one well and completed another three, all shale gas in Sierra Chata. The productivity was outstanding, and we almost doubled our gas production. On the other hand, El Mangrullo experienced a 29% increase compared to Q1 23, without new drilled or tie-in wells. Non-operated Río Neuquén tied in five wells this quarter, maintaining production levels.

The average gas price for the quarter stood at 3.2 dollars per million BTU, 18% down due to lower exports in volume and price to Chile. As you can see right below, the higher deliveries of local gas were destined for thermal power generation.

The petrochemicals business posted 11 million dollars of EBITDA in Q1, a 58% growth year-on-year mainly because of higher sales of reforming products and lower costs because of FX, offset by soft domestic sales due to economic activity and lower international prices. Quarter-on-quarter, the EBITDA decreased by 45%, mainly because the export-dollar income was lower. The Reformer led the output mostly, offset by the reduced demand for styrenics.

In Q1, we recorded a free cash outflow of 187 million dollars. Besides the 17 million haircut on CAMMESA's January invoice, this is purely explained by the sharp increase in working capital due to payment delays from

CAMMESA, which rose from 73 to 89. It is over 120 days if all three due bills are paid today. May 10 is due March's invoice, so the debt would pile four bills if nothing changes.

The higher working capital is offset by lower debt service mainly due to reduced AR$ debt stock. However, we took advantage of local market conditions and issued new debt to cover the increased working capital. Also, it is worth highlighting that we collected 45 million in dividends from OCP, a co-controlled oil pipeline company, the second largest and only private pipeline in Ecuador. In summary, we increased 11 million dollars of net cash in the quarter, achieving an 845 million cash position by the end of the period.

Moving on to slide 12, we show our consolidated financial position, including our affiliates at ownership. But let's focus on the Restricted Group that reflects the bond perimeter. We posted a gross debt of almost 1.6 billion dollars, a 6% lower year-on-year and a 10% growth in cash. We kept diversifying the currency and source of our debt profile, and, as a result, 73% of the gross debt is in US dollars. The net debt recorded 718 million dollars, 21% lower year-on-year, and 1.1 times leverage. The average life was 2.8 years. Until 2027, we do not face relevant debt maturities.

So, this concludes our presentation. Now, I will turn the word to Raquel, who will poll for questions. Thank you.