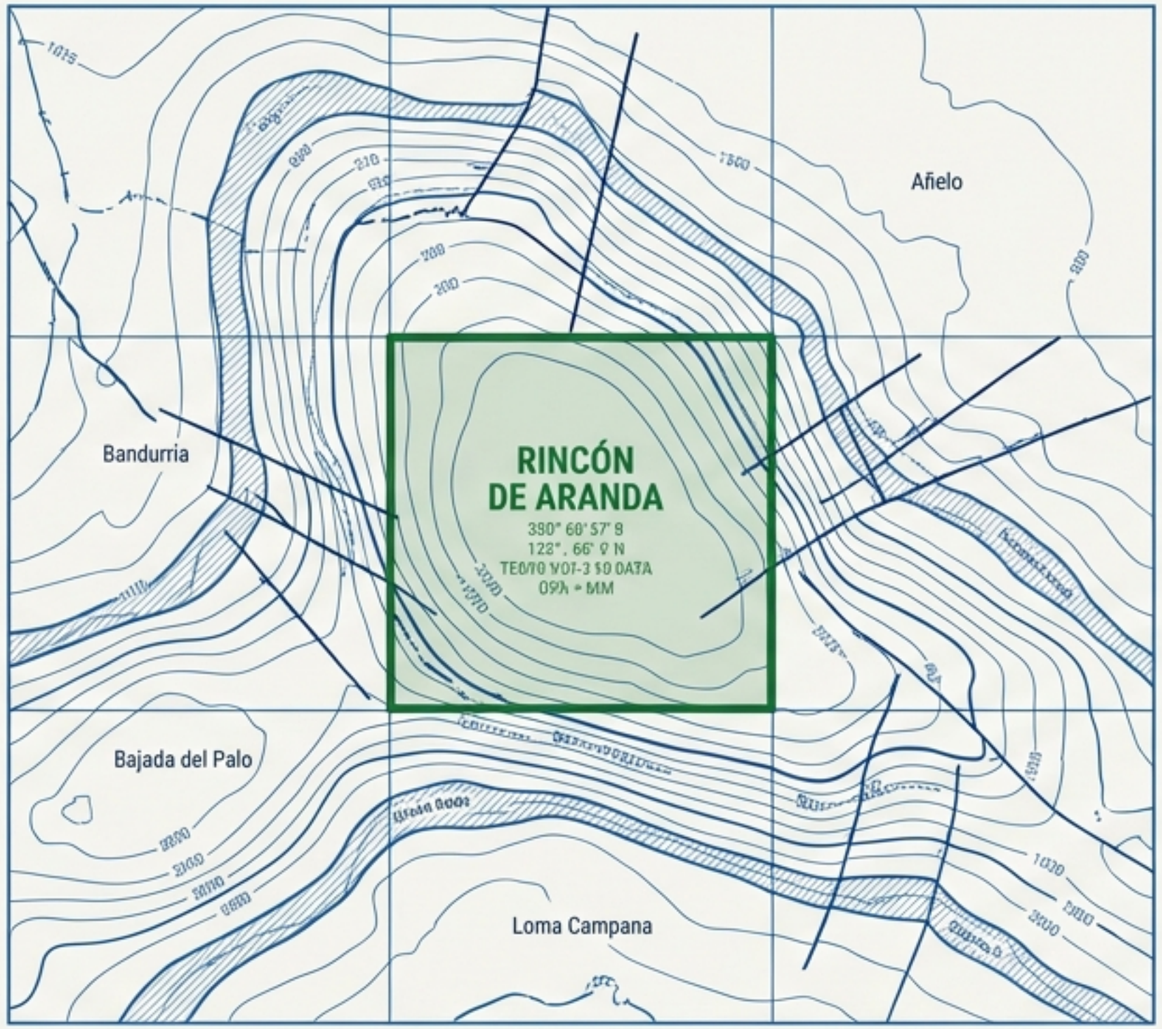
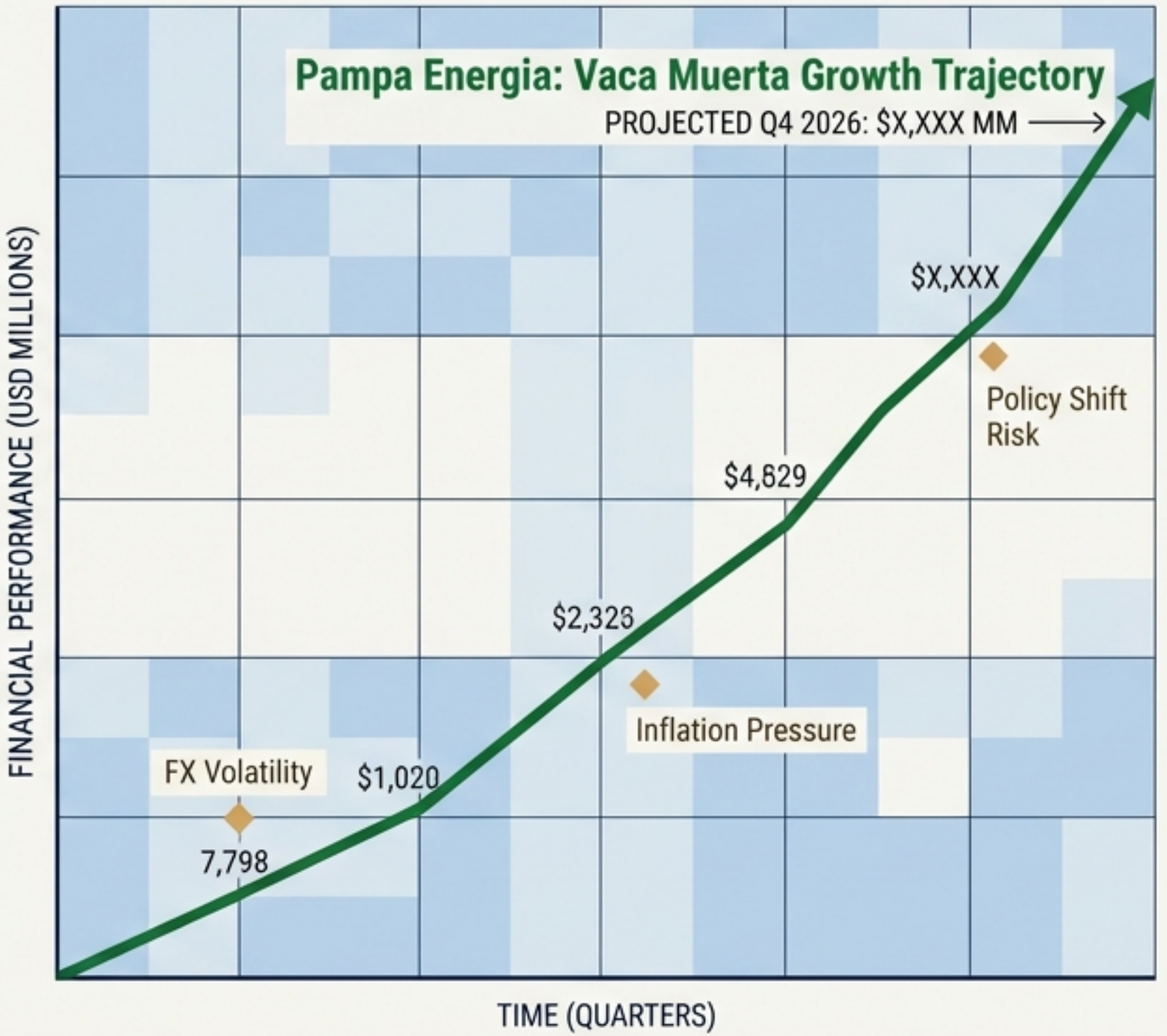
Pampa Energia (PAM): The Structural Reform Bet

Navigating Argentina's Energy Supercycle, Vaca Muerta Execution, and Sovereign Risk





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The Core Tension: Structural Unlock vs. Political-Cycle Trade

The Performance

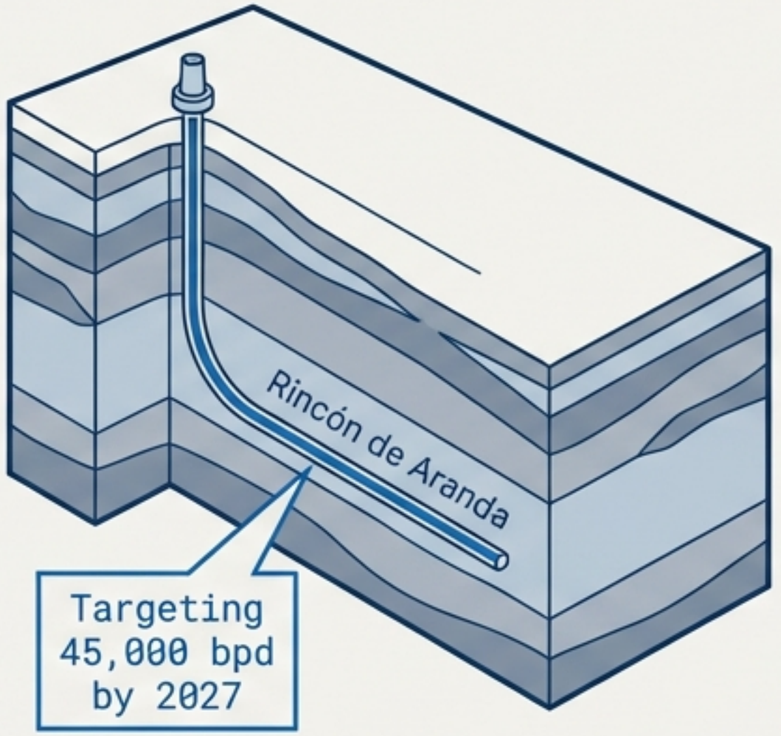


$1.009B

FY2025 Adj. EBITDA

Record high on $1.998B in total revenue.

The Asset



Up from near-zero in early 2024. Block proved reserves grew 352% in 2025.

The Debate

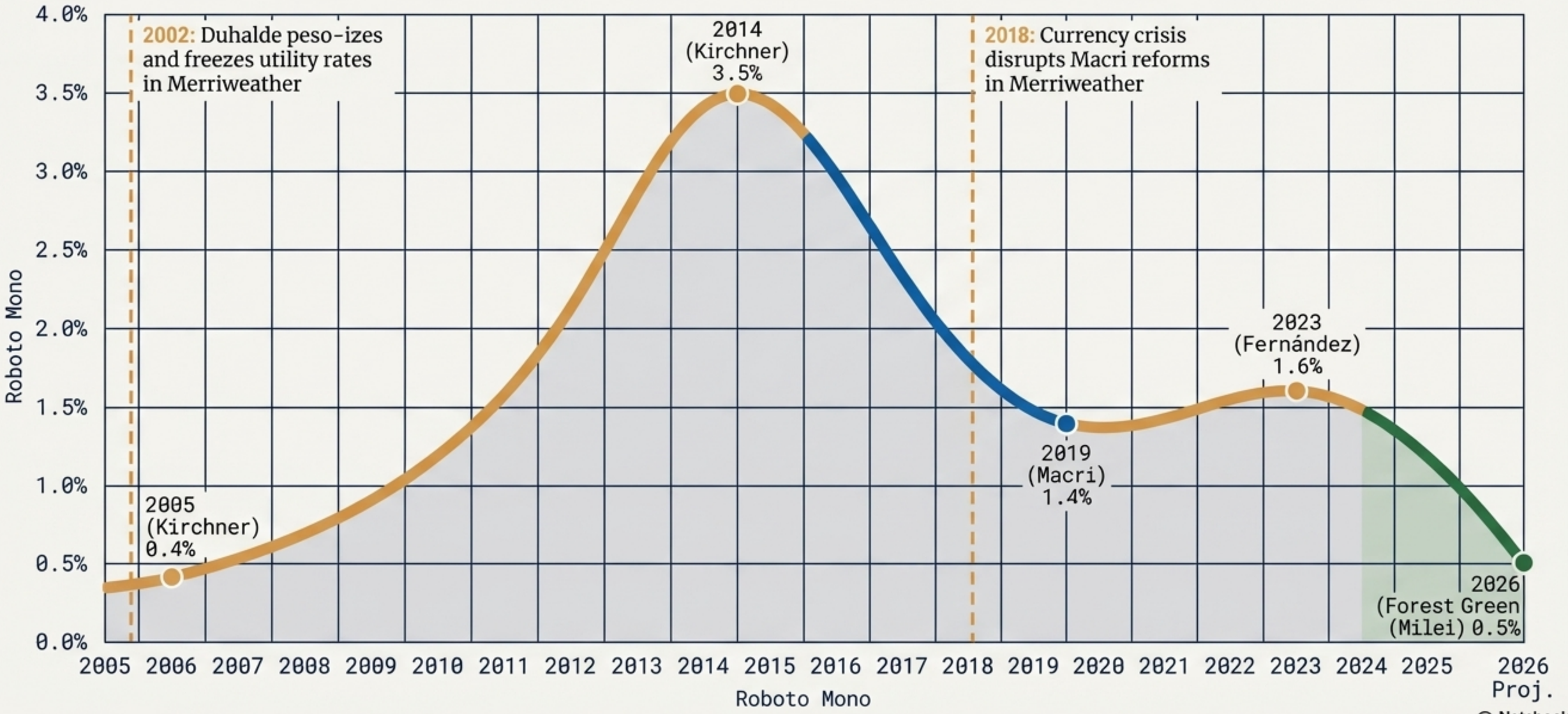
Investment Thesis

- Sustainable Deregulation (Structural Unlock)
- Cyclical Sovereign Proxy (Political Trade)

KEY METRIC: PAM trades at 5.3x EV/EBITDA—exactly its 10-year median. The market is pricing the present cash flow, not the Vaca Muerta potential or the permanence of Milei's reforms.

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The Macro Backdrop: Two Decades of Tariff Volatility



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Shock Therapy: The Most Favorable Environment in 20 Years

The Normalized Energy Market

Tariff Normalization

Cost recovery moved from 22% (Jan 2024) to ~90% (Dec 2024).

Electricity tariffs increased 500%; Gas transport up 675%.

WEM Reform

Resolution SE 400/2025 restored marginal-cost pricing, decentralized CAMMESA fuel procurement, and reinstated bilateral PPAs.

RIGI Framework

30-year regulatory stability, 25% fixed income tax, and export duty exemptions.

PAM has pending applications totaling ~$5 billion.

FX & Capital

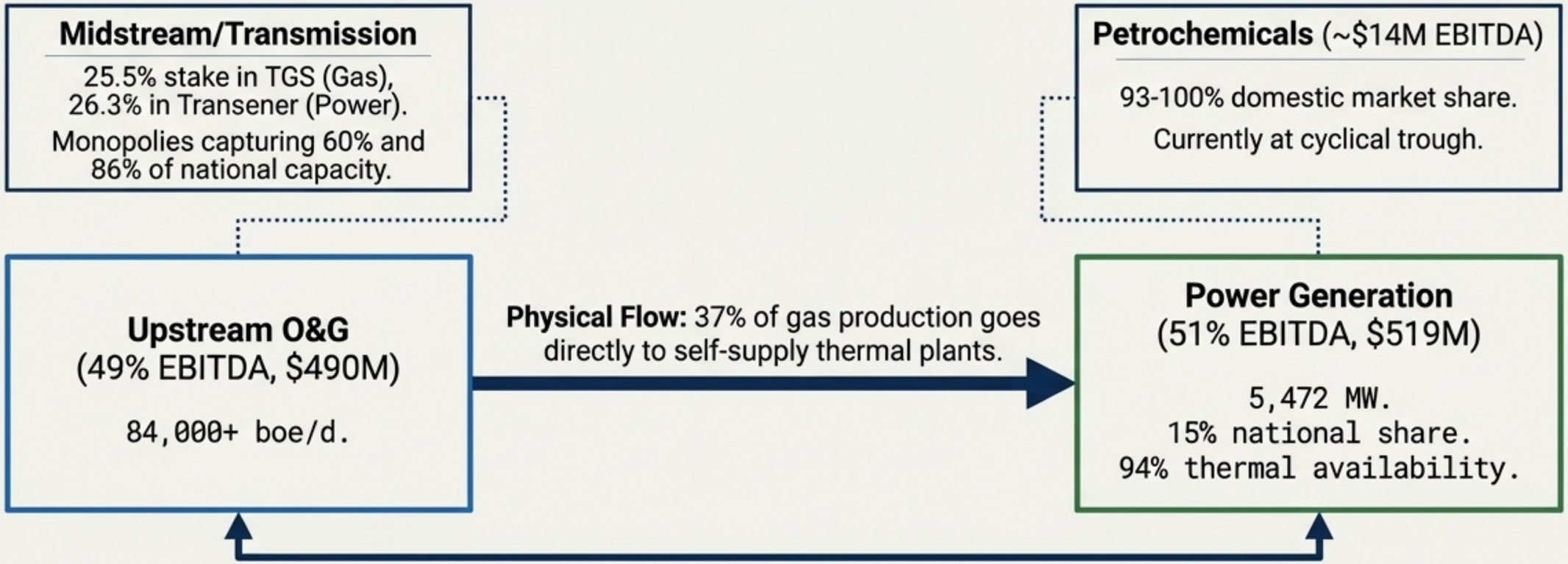
Cepo partially lifted.

Exchange rates converged around 1,400–1,460 ARS/USD.

Foreign dividend repatriation officially enabled.

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The PAM Moat: A Circular Integration Engine



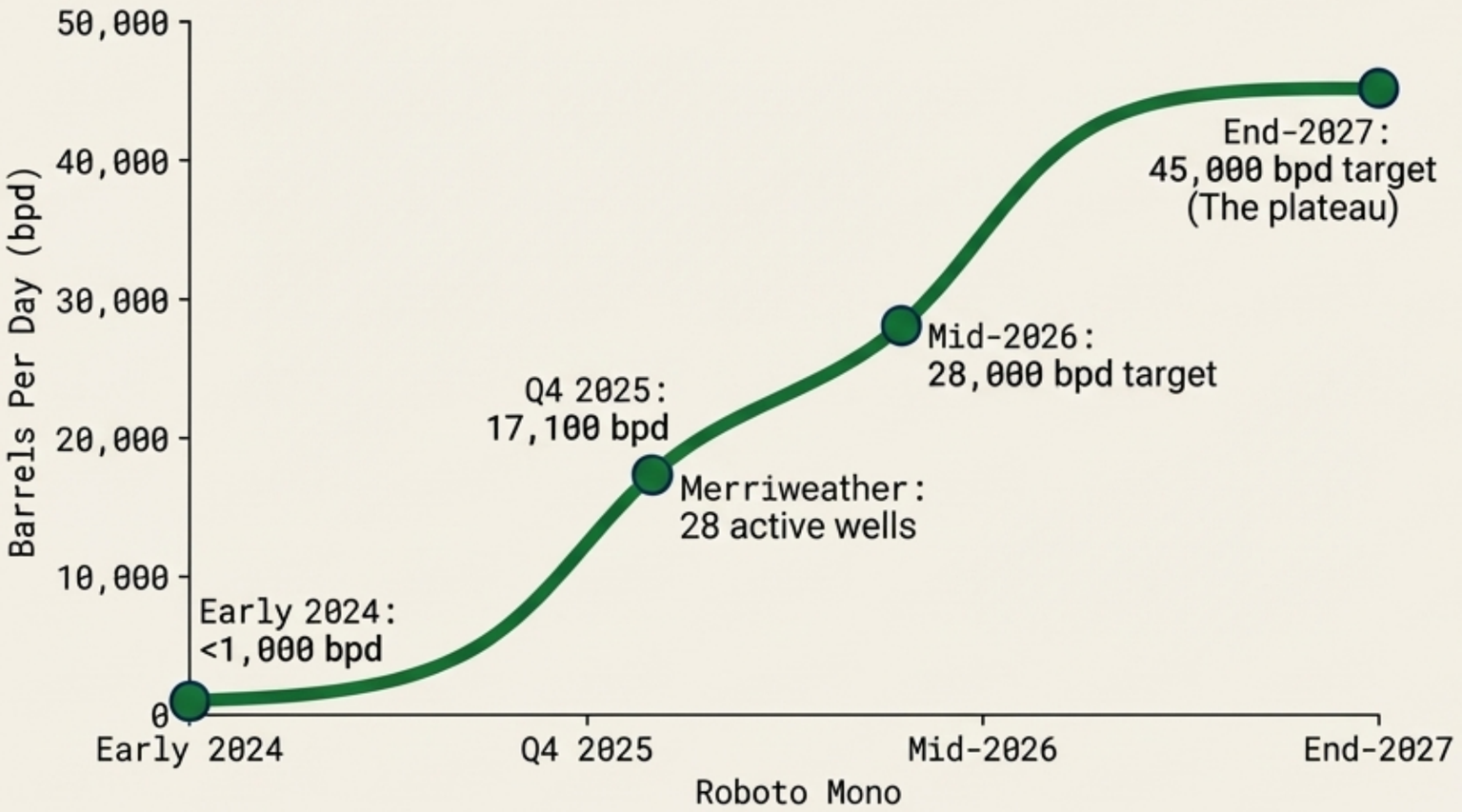
Natural Corporate Hedge:
Gas prices fall = Generation margins expand.
Gas prices rise = Upstream profits.

Historical Note: Divested 51% controlling stake in Edenor (electricity distribution) for $100M in 2021 to escape regulated tariff suppression and fund Vaca Muerta.

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The Crown Jewel: Rincón de Aranda (Vaca Muerta)

S-Curve Activation Chart



Well Cost:
$15M ($16-17M currently, targeting $14.5M)

EUR (Recovery):
1.1M - 1.3M barrels per well

Breakeven:
<$40/bbl Brent

Reserves:
Block proved reserves grew 352% in 2025

Key Takeaway: Reaching the 45k bpd plateau transforms PAM. At $60/bbl, Rincón de Aranda alone could add $500M–$700M in annual EBITDA (a 50–70% consolidated increase).

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Breaking the Bottlenecks: Midstream & Export Infrastructure

Artery 2 (Gas): Gasoducto Norte & Perito Moreno

Reversing northern flow to replace lost Bolivian imports; Perito Moreno Phase 2 expansion pending.



Artery 1 (Oil): VMOS Pipeline

550k bpd capacity to Punta Colorada.
PAM holds an 18% stake.
Under construction, early commissioning targeted Q3 2026.

Artery 3 (LNG): Southern Energy FLNG (San Matías Gulf)

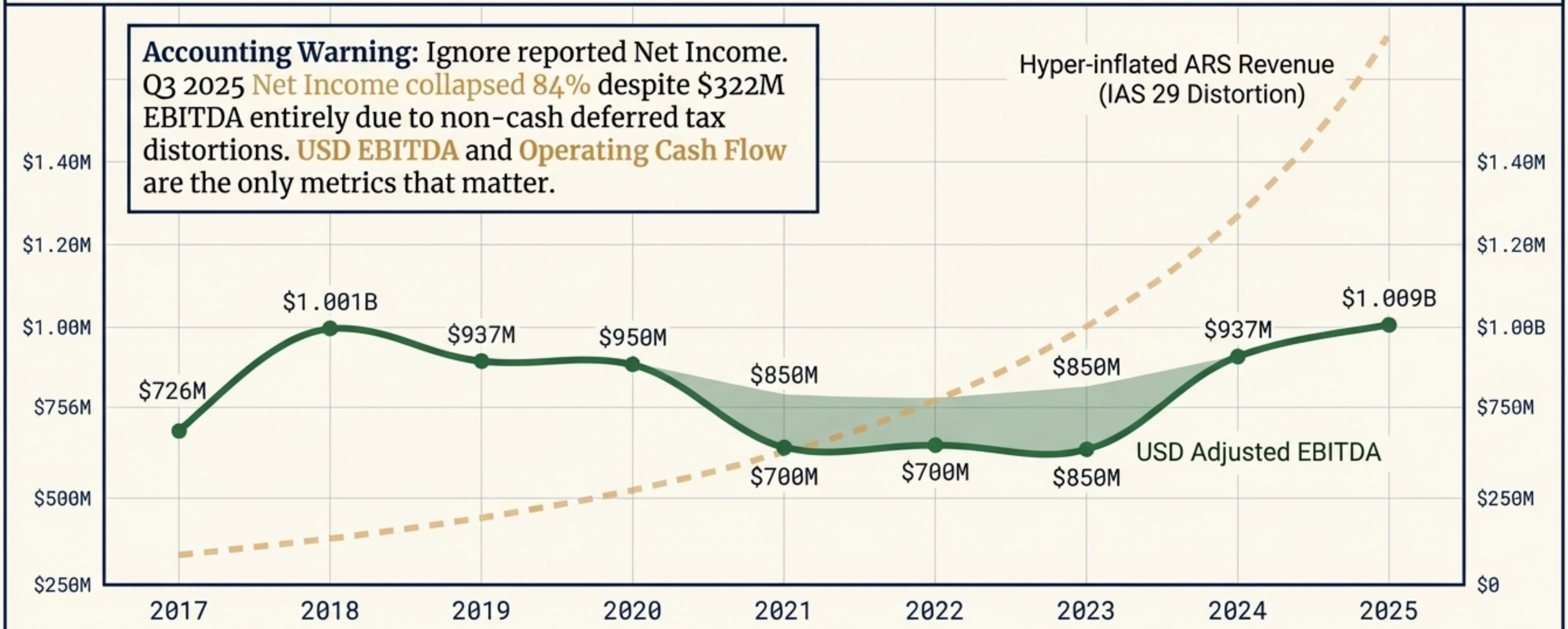
PAM holds 20% stake. Targeting 6 Mtpa via two vessels by 2027/28.
PAM supplies up to 6 Mm³/d.

Strategic Synthesis:

PAM isn't just drilling wells; it is systematically co-owning the exit doors required to reach global export markets.

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Financial Realities I: The "Illusion" of ARS vs. The USD Reality

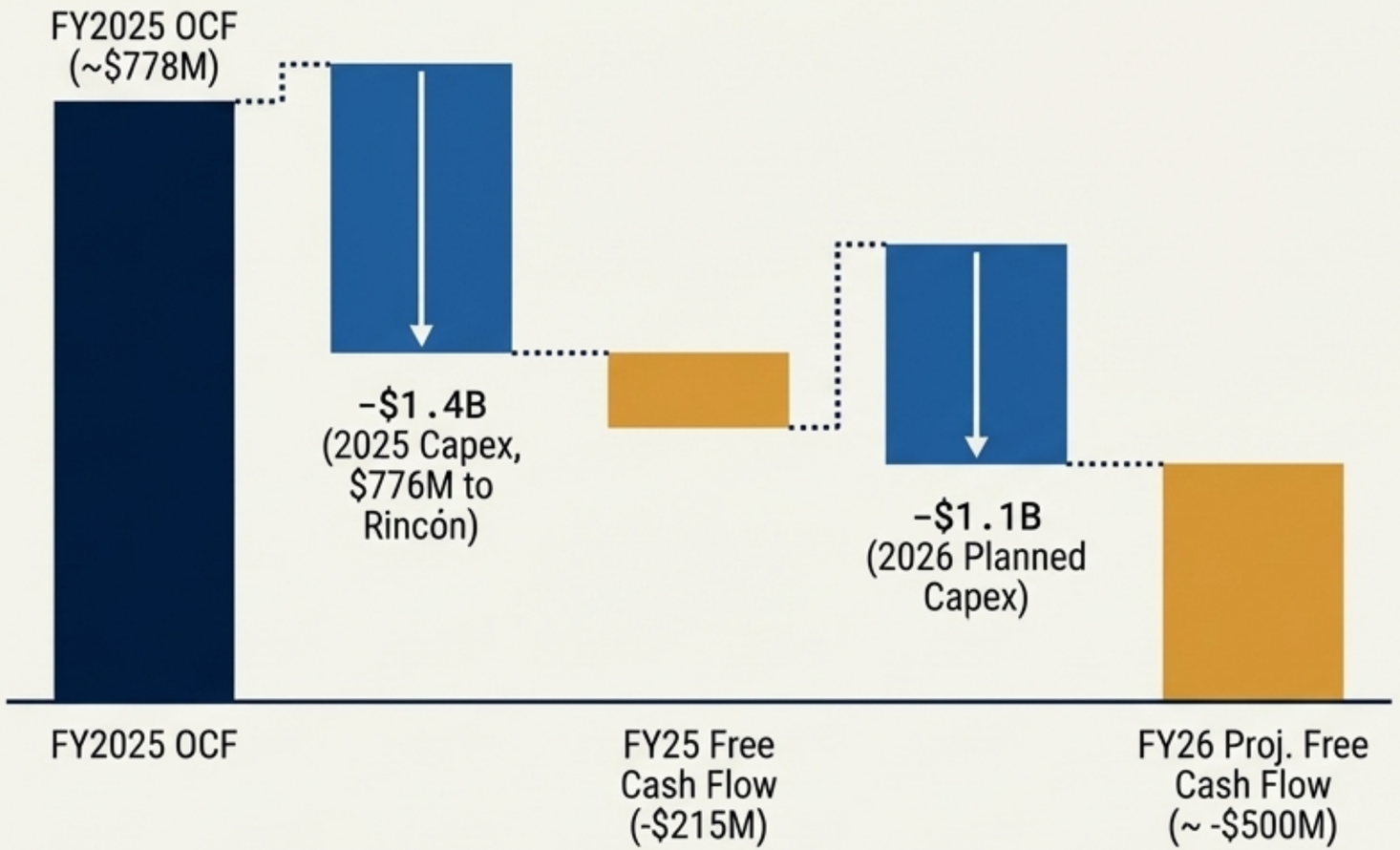


Insight: In real USD terms, **EBITDA has been essentially flat for eight years.** The **current "growth" is largely recovery from political suppression**; true organic growth begins now with Vaca Muerta oil.

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Financial Realities II: The Capex Supercycle & FCF Bridge

Cash Flow Waterfall



Balance Sheet Readout Box

Cash Buffer

$1.1B parent-level cash funds the deficit without new equity.

Leverage

0.8x Net Debt/EBITDA ($801M net debt).

Debt Maturity

Extended to **7.7** years (following $700M 2034/2035 bond issuance).

Strategic Stance: No dividends planned for 25/26. Every dollar is routed to reserve development until Rincón de Aranda plateaus in 2027.

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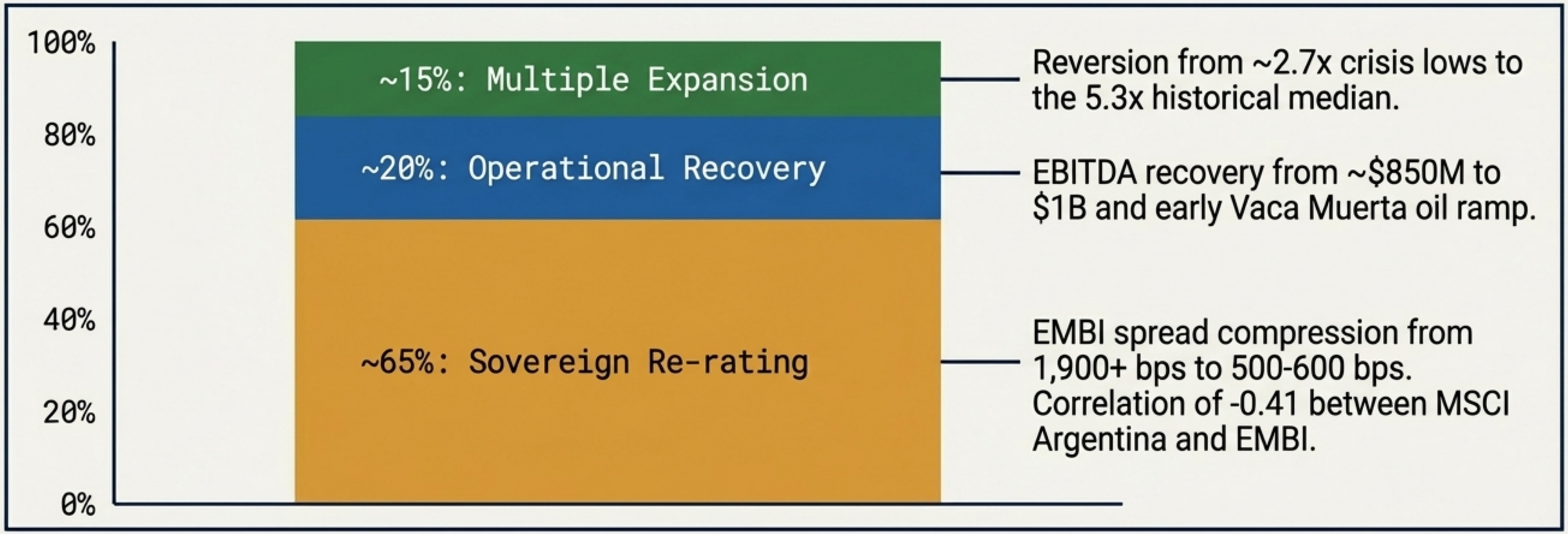
Relative Valuation: Pricing the Present, Not the Potential

Company	EV/EBITDA	P/E	Leverage	Div Yield	Strategic Model
Pampa Energia	5.3x	11.5x	0.8x	0%	Integrated
YPF	7.4x	8.2x	Higher	Low	State-backed Integrated
Vista Energy	5.7x	6.8x	Moderate	Low	Pure-play Shale
Central Puerto	9.1x	11.9x	Low	Low	Pure-play Gen
Petrobras	5.0x	6.4x	Moderate	~12%	Integrated

Market Implication: PAM's 5.3x EV/EBITDA sits exactly at its 10-year median. The market has normalized the multiple from crisis lows (~2.7x) but applies ZERO growth premium for the Rincón de Aranda 10x oil expansion.

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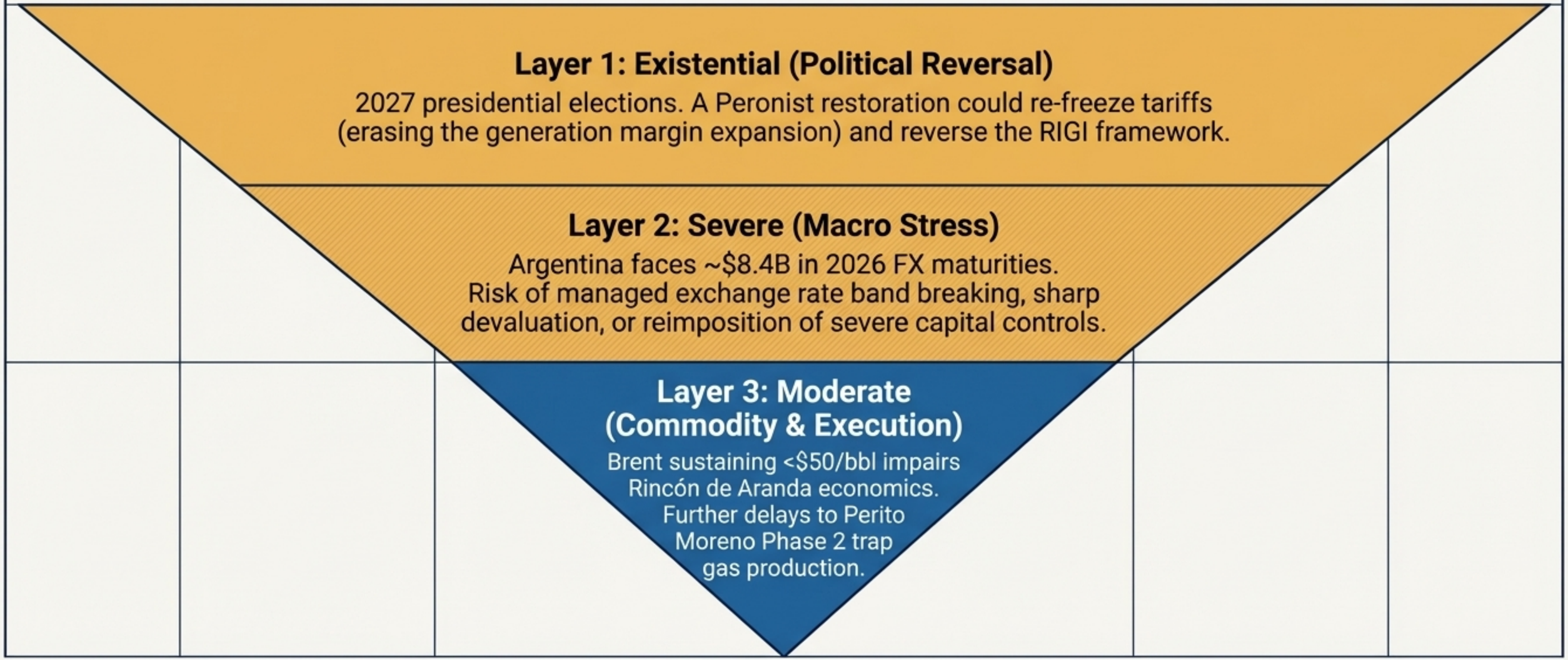
Return Decomposition: What Did the 400% Actually Buy?



Synthesis: ADR holders have primarily been buying a sovereign risk proxy. The ‘easy’ macro money is made. The next leg of value creation requires precise E&P execution and the permanent survival of Milei’s RIGI framework.

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The Risk Stack: Macro, Political, and Operational



Risk Probability Assessment: Total equity wipeout is highly improbable given hard assets and USD linkages. Plausible worst-case is a 50-80% drawdown if sovereign stress and regulatory reversal collide.

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Governance & Corporate Structure

The Pros (Alignment & Capital Allocation)

- **High Insider Ownership:** 22.4% insider ownership (Chairman Marcelo Mindlin holds 14.45%, ~$600M+).
- **Aggressive Repurchases:** 14 buyback programs repurchased millions of shares at distressed $10-60 levels. 31% share count reduction since 2018.
- **Capital Discipline:** Excellent debt management (no formal restructurings, 7.7-year maturity) and timely Edenor exit.

The Cons (Concentration & Overhangs)

- **Family Dominance:** Mindlin family controls the C-suite (Father, Brother, Son in executive roles).
- **Conglomerate Structure:** Complex related-party structures typical of Argentine conglomerates.
- **Reputational Overhangs:** Unresolved legacy ties from the historical Petrobras Argentina acquisition (Lava Jato) and IECSA construction.

Summary: Management operates with exceptional financial discipline, but the controlling-group structure warrants a persistent governance discount relative to independent peers.

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The Core Debate: Scales of Valuation

The Bull Case (Structural Unlock)	
Thesis:	Tariffs remain deregulated. Rincón de Aranda hits 45k bpd.
Financials:	Normalized EBITDA reaches $1.3B-$1.6B by 2027/28.
Valuation:	Country discount narrows, multiple expands to 6-7x.
Implied Target: Roboto Mono **$115 - $140 / ADR**	

The Bear Case (Political-Cycle Trade)	
Thesis:	Milei loses mandate. Tariffs re-frozen. Power Gen earnings currently at cyclical peak.
Financials:	Heavy $1.4B capex stranded by pipeline delays or oil <$50. 0% dividend offers no downside buffer.
Valuation:	Multiple compresses back to historical crisis levels (3x).
Implied Target: Roboto Mono **Asymmetric Downside (<$40 / ADR)**	

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Leading Indicators Dashboard: What to Track Tomorrow



Macro & Sovereign Risk

Metrics: EMBI Spreads & Monthly Inflation.

Target Zone: EMBI compresses < 400 bps; Inflation breaks < 2% monthly. (Moves above 1,000 bps signal reform failure).



Micro Execution

Metrics: Rincón de Aranda Q/Q Oil Production.

Target Zone: Must hit 25,000 bpd by April 2026 and 28,000 bpd by mid-2026.



Infrastructure Delivery

Metrics: Pipeline Commissioning.

Target Zone: VMOS construction stays on schedule for Q3 2026. Perito Moreno Phase 2 gas pipeline tender moves forward.

Closing Conclusion: PAM's operational excellence is proven; its ultimate valuation relies on Argentina surviving its own history.

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