Central Puerto S.A. (CEPU) Q2 2026 Earnings Call Transcript

Company Participants

Maria Feller - Head of Investor Relations
Fernando Bonnet - CEO

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the Central Puerto's Second Quarter of 2026 Earnings Conference Call. A slide presentation is accompanying today's webcast and will be also available on the Investors section of the company's website, www.centralpuerto.com/en/investors. [Operator Instructions] Please note, this event is being recorded.

If you do not have a copy of the press release, please refer to the Investor Relations support section on the company's corporate website at www.centralpuerto.com. In addition, a replay of today's call will be available in upcoming days by accessing the website link at the same section of the Central Puerto's website.

Our host today will be Mr. Fernando Bonnet, Central Puerto's CEO; Mr. Enrique Terraneo, the company's CFO; Mrs. Maria Laura Feller, Head of Investor Relations; and Mr. Alejandro Diaz Lopez, Head of Corporate Finance.

Maria Laura, please go ahead.

Maria Feller
Head of Investor Relations

Thank you very much. Good morning, and welcome, everyone. We're joining you today from Buenos Aires with our management team to walk you through the results of the second quarter of 2026. And afterwards, we'll take your questions.

Before we start, a couple of quick notes, both covered on Slide 2. First, today's presentation includes forward-looking statements and non-IFRS measures, including adjusted EBITDA, so please keep our full disclaimer in mind as we go through the numbers.

Also to remind the audience, since January 1 of this year, our functional currency is the U.S. dollar rather than the Argentine peso. And we've also defined how we convert historical peso figures into dollars. You'll find the full detail in Note 2.2 to our financial statements. All figures are in U.S. dollars unless otherwise stated.

Let's turn to Slide 3 for the highlights of the quarter. Second quarter adjusted EBITDA came in at $145.0 million. That's up 20.1% versus the $120.7 million we posted in the first quarter and up 136.2% versus the $61.4 million posted in the second quarter of 2025.

Revenues totaled $453.3 million, up 82.3% quarter-on-quarter from $248.6 million and up 165.8% year-on-year from $170.5 million. This figure includes $176.4 million of spot CVP related to self-procured fuel. Total generation reached 5,250 gigawatt hours, representing approximately 15% of total generation on Argentina's grid. This was a 3.1% decrease from the first quarter's 5,420 gigawatt hours, but a 20.1% increase versus the 4,372 gigawatt hours generated in the second quarter of last year.

On the investment side, capital expenditures for the first half of 2026 totaled $421.9 million. This included $245.0 million for the Piedra del Aguila concession, $50.0 million for the acquisition of the oil and gas blocks, $106.0 million for our battery storage projects and $20.9 million in maintenance and other capital expenditures.

Net financial leverage stood at 1.2x adjusted EBITDA with net financial debt of $493.4 million and last 12 months adjusted EBITDA of $403.8 million. FONI collections from CAMMESA were $16.0 million in the quarter and outstanding credit was $104.8 million.

On the financing front, in April, we issued our Class D notes for $130.1 million at a 6% rate. In July, after quarter end, we issued our Class E notes for $94.3 million at a 5.5% rate. We also continued strengthening our commercial position. Our average market share in the Resolution 400 term market or MAT, reached more than 35% in the second quarter. We now serve more than 120 large industrial customers plus 16 distribution and sub-distribution companies.

Altogether, contracted sales combining PPAs, MAT and MATER represented 55% of our total sales volumes and 48% of our total revenues, including hydro sales under the terms of the concession. On our growth projects, our battery storage system projects are on schedule.

Construction is 69% complete at Nuevo Puerto and 54% complete at Central Costanera, with major equipment delivered or in transit and installation progressing on schedule. We expect the projects to be energized between October and November with commercial operation in the fourth quarter of this year. Once operational, we expect these projects to contribute between $25 million and $27 million to the adjusted EBITDA in 2027.

In April, we closed the acquisition of the oil and gas blocks. For now, we are maintaining technical due diligence previous to the CENCH.

Let's move to Slide 4 for more detail on generation and our commercial development. In the second quarter, total energy offered into the Argentine grid was 36,724 gigawatt hours. made up of 34,954 gigawatt hours of local generation plus approximately 1,770 gigawatt hours of imports.

Central Puerto held more than 35% of the Resolution 400 term market share in the second quarter. Looking at the monthly trend, our share increased significantly through the quarter, reaching 35% in June, reflecting the continued progress of our commercial contracting efforts.

Turning to Slide 5. Let's look at revenues in more detail. Revenues were $453.3 million, up 82.3% quarter-on-quarter and 165.8% year-on-year. Two things drove that growth. First, contracted sales increased primarily due to a full quarter of revenues from the Brigadier Lopez plant under its power purchase agreement. Higher contracted energy and capacity sales in the term market from Central Puerto, Central Costanera, Piedra del Aguila and Lujan de Cuyo and the reclassification of Piedra del Aguila hydro sales as contracted sales beginning in 2026, reflecting the pricing mechanism established under Article 9 of the concession terms.

Second, spot sales increased due to higher capacity revenues resulting from seasonal capacity remuneration parameters applicable during the winter months as well as the fuel cost component that is reflected in revenues when we self-procure fuel for spot generation.

In the second quarter, this included approximately $174 million of LNG, LNG and liquid fuels purchased directly. When CAMMESA supplies the fuel under the Gas Acuerdo program, that cost is managed by CAMMESA, and therefore, is not recognized as revenue by the company.

Now to Slide 6 for the adjusted EBITDA of the quarter. Adjusted EBITDA was $145.0 million, up 20.1% quarter-on-quarter and 136.2% year-on-year. The improvement was mainly driven by the margin captured on self-procured liquid fuels and seasonal spot prices, together with new contracted thermal energy in the map.

Let's move to Slide 7, cogeneration and availability. Total generation was 5,250 gigawatt hours this quarter. Compared to the first quarter, a few things moved in different directions. Generation from our legacy steam turbines was down 17%, while Piedra del Aguila more than doubled its output, up 112.9%, reflecting stronger hydrology. Renewable generation was down 17.0% quarter-on-quarter and the Lujan de Cuyo gas turbine unit was still out of service following the generator failure that occurred in the first quarter of last year.

Our thermal fleet remains reliable. Total thermal availability of combined cycles was 87.0% and steam production totaled 781,742 tons, up 45.4% quarter-on-quarter, but down 16.0% year-on-year. Central Puerto represented approximately 15% of total generation on Argentina's grid or 15.9%, including our FONI plant at our working interest.

Turning to Slide 8. Total capital expenditures for the first half of the year were $421.9 million. This includes $245.0 million for the Piedra del Aguila concession, $50.0 million for the oil and gas block acquisition, $106.0 million for our battery storage projects and $20.9 million for maintenance and other items.

The battery energy storage system projects have already executed 81% of the project's total capital budget. Construction is 69% complete at Nuevo Puerto and 54% at Central Costanera. Major equipment has either been delivered or is in transit and installation is progressing on schedule. We expect commercial operation in the fourth quarter of 2026. Once running, we expect these projects to add between $25 million and $27 million EBITDA in 2027.

Now to Slide 9 on our balance sheet and financial flexibility. As of June 30, our total outstanding financial debt was $671.9 million against cash, cash equivalents and financial current assets of $178.4 million, that leaves us with net debt of $493.4 million. Measured against our last 12 months adjusted EBITDA of $403.8 million, our net leverage ratio was 1.2x, a healthy level that gives us financial flexibility.

On our debt maturity profile, we hold $178.4 million in cash and financial current assets today, and our maturities are well spread out over time with $176.4 million coming due later this year, followed by moderate amounts in 2027 and 2028 and larger maturities in 2029 and 2030.

On financing activity, in April, we issued our Class D notes for $130.1 million at a 6.0% rate with a 48-month bullet maturity. In July, after the quarter closed, we issued our Class E notes for $94.3 million at 5.5% with a 36-month bullet maturity, mainly to fund working capital and fuel procurement needs.

Thank you very much for your time and for your continued confidence in Central Puerto. Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Matias Cattaruzzi with AdCap.

Matias Cattaruzzi
AdCap Securities Argentina S.A., Research Division

Congratulations on the quarter. I got a question on the material contribution from the self-procurement of fuels in the second quarter. How will we see it in the future? In the third quarter, we'll be seeing something similar in revenues or it depends on the fuel procurement in each quarter. And if in the fourth quarter, if it's going to be lower or what -- as analysts, what do we need to keep in mind to get a better understanding of it and to project it better on our models?

Fernando Bonnet
CEO & GM

Okay. Thank you, Matias, for your question and your interest in Central Puerto. Regarding the fuel consumption and self-procurement, we see during July similar levels that we see in June. On August, it's very early to have a final view if this winter -- cold winter continues, perhaps we will see not as the same as June and July, but perhaps a little bit less, but some, of course, self-procurement of natural gas and a small portion of liquid fuels. We don't see a lot of liquid fuels coming on forward.

So for the second -- for the third quarter, you can expect during July same levels of self-consumption than in June. On August, less, perhaps a little bit less half could be a good number in terms of LNG, not the same as liquid that, as I mentioned, we don't see a lot of liquid during August.

And for sure, in terms of the fourth quarter, until we can start buying our own natural gas, local natural gas, which is not the case today because the plant gas quattro is still in place, and it's not easy that the producers break that contract with CAMMESA and start signing new contracts with us. So because of that, we see a reduction in the fourth quarter of self procurement fuel.

We are starting conversation with different providers, so we can do something in terms of local gas, buying our own local gas, but not for all of our consumption. So we see that we start seeing some providers and oil companies start going out for the plant gas at the end of the year and perhaps more heavily during the next one. But making a ramp-up, you will see less fuel on fuel consumption during the last quarter of this year.

Matias Cattaruzzi
AdCap Securities Argentina S.A., Research Division

And then a follow-up on self-procurement of fuels. Is there any way that we can see how it impacts on the EBITDA compared to previous quarters? Have you -- we've seen it as like with the revenues, this aggregated from the revenues, but how -- it's not visible in the cost part, the procurement just for us to measure the...?

Fernando Bonnet
CEO & GM

Yes, you can saw it in our cost because there is -- that's open in our accountability. So you can see how this cost of sales increase during winter and compared to summer. But you need to consider both effects in order to estimate the future EBITDA because during winter, we also have not only the self-procurement margin that we made there, but you have also the marginal income that we receive from the new regulation when our equipment is cheaper than the last unit entering in the market.

So you need to have both effect combined. So when you go to summer, which doesn't -- anyone has a fuel -- expensive fuel like diesel oil or LNG. So the margin of all the system gets reduced, not only the ones that we don't acquire our own fuel.

Operator

Our next question comes from Martin Arancet with Balanz Capital.

Martin Arancet
Balanz Capital Valores S.A.U., Research Division

I have only 2 questions. I would like to run them one by one, if that's okay. First, regarding growing opportunities, I was wondering where do you see growth opportunities in the future? You renewed the conation of Piedra del Aguila. Now you are with the battery project. But I was wondering when do you see growing opportunities after that?

And Also, we heard that the government could be working on a new auction for thermal and probably renewable plus batteries before year-end. I was wondering if you had more information on that. And I don't know if it could be something where you could add capacity to some of your thermal assets.

Fernando Bonnet
CEO & GM

Okay. Thank you, Martin, for your question and your interest. Going to the first one, the growing opportunities, as you mentioned, we are seeing different opportunities coming from different processes. One is that you mentioned the government is analyzing -- they are in the final stages of analysis the new capacity perhaps will be not an option like we see -- we saw in the past.

I think they are thinking on a regular scheme, perhaps quarterly scheme or perhaps biannual scheme in which generators could present projects in order to increase the capacity of the system. It will be capacity schemes, not energy capacity. But they are already doing the last perhaps adjustment of that scheme, and we think that would be online perhaps during this quarter or the next one, not more than that.

And there, we are, of course, developing different projects. We have all the development that we've done in 2023 for the thermal capacity auction. If you remember, there, we get awarded in 2 projects. So these projects are fully developed, and we want to maintain and present in this new scheme 1 of the 2 of those projects.

And we are also developing new ones for capacity in different places. ones are the one that we have capacity here in Buenos Aires, but we are also looking in other places. And the other opportunity that we are seeing is, as you mentioned, in batteries, we present in the ALMA SADI scheme, several projects that get close or get out by close margin of the ones that were awarded.

So we want to maintain those projects alive and try to present them in new coming auctions. Perhaps the government wanted to introduce perhaps similar scheme that we have been talking for thermal, not an auction, specific auction, but perhaps regular scheme of presenting the possibility that the generator presenting opportunities there and the government decide if they want to make an auction after that or not.

So we are willing to maintain those battery projects alive and look for the opportunities to present them again and try to make them feasible in the near future. And also, we see opportunities in different perhaps sellings of government assets that we can like Central of FONINVEMEM or similars. So we see opportunities there.

And we also keep -- we also are keeping developing the transmission line in the North that we are working with YPF in order to provide electricity to the lithium companies in the north of the country. That is something that with the actual lithium price start moving on again and with good perspective. So this will be another opportunity to grow, not only the transmission line itself, but also the provision of electricity, perhaps mainly renewables.

So this will perhaps give us the opportunity to keep building renewable projects also. And we are working in different bidding processes or budgeting processes for mining companies to provide electricity and capacity. So that will be another opportunity for growth. There are a lot of projects who wanted to have energy provision, the same as also data center that, of course, this is in very early stage, but they are coming also to us and try to work for developing that capacity and electricity provision. So we see a lot of opportunities moving forward.

Martin Arancet
Balanz Capital Valores S.A.U., Research Division

Very clear. Just a small follow-up. I guess that is still too early to have a time line regarding when we could see, I don't know, a closure of the deal or something similar for the new projects and for mining companies, right?

Fernando Bonnet
CEO & GM

Yes. Yes, I think it's early stage because they also -- they all are big companies and big projects. So they are working on the feasibility phase and try to get that feasibility first and then start signing the contracts. So I think we're going to see perhaps next year the first big contracts.

In terms of transmission line, I think we can see something earlier perhaps at the end of this year. But as I mentioned, they need to finalize the feasibility studies and have all the financing commit. And then after that, they're going to start signing the electricity provision contract.

Martin Arancet
Balanz Capital Valores S.A.U., Research Division

Okay. Very clear. My second question then, well, you were really commercially successful signing new PPAs for thermal assets after the regulatory change. And you were trying to -- well, you already had contracted the 20% as far as I know, the 20% that you are allowed with industrial consumers, but you were trying to get to 100% with distribution companies. I was wondering how is that going forward, if there has been any progress on that?

And also, we have seen a spike on spot prices in this winter. If you think that it is still more profitable to sign a new PPA or to get the exposure to the spot market?

Fernando Bonnet
CEO & GM

Okay. Thank you. Yes, as you mentioned, we moved very fast in order to get that 20% allowed contracted. In the past, we have -- we were the first or the bigger contractor in

Argentina, I'm talking about during the 2010, when we can make free contract with the demand. So we maintain the team and we maintain the contract. And of course, we enlarged the team when we saw the regulation going to change.

So we move very fast, and we are very confident on our team to get the best contracts possible. And as you mentioned, we want to enlarge that 20%. I don't know if we're going to reach the 100%, but it's not perhaps -- the idea is to get first the best contract distribution companies possible.

So we are choosing. We are not going to any distribution companies. As you know, the distribution companies after 20 years of regulation and controls and all that you know, there are different situations in each provinces and internal of the different provinces have different situations regarding distribution companies, cooperatives and those that can contract if we want to go to the 100%.

So at the beginning, we decide to move forward distribution companies because, as you mentioned, perhaps during the winter, the prices are higher to stay at the spot market are higher, but the rest of the year prices that goes very below that what you can contract in a full year base.

So you need to have the better mix between having some megawatts exposed to the spot market and have to catch -- make the catch-up of those prices going up during winter, but also have the good prices or a base of contract energy that cover the prices when the prices goes down very strongly during summer and September, April and those months.

So we are trying to have the good or the better balance possible, having some exposure to the spot market to make that catch up during the worst days of winter and hours because it's not all the day. As we see, we see the prices every hour. So we want to have some exposure of that, yes, and make the better margin during the cold days or the cold hours of the day. But we also want to have a good price -- a stable price for the rest of the year.

So we are working on that sense, trying to have the better mix of having the flexibility to have good prices during winter, but not going in summer on prices that are below the market. So I don't see that we're going to reach 100% of contractualization. But we also are working on increase that to overall have a better margin that if we stay fully to spot.

And also, we see in the future that the prices during winter need to go down because we reduce -- we're going to reduce the consume of liquid fuels and the LNG in the future when TGS expansion will be done. And of course, if TGN expansion come online, the prices during winter will need to be reduced for sure.

Martin Arancet

Balanz Capital Valores S.A.U., Research Division

Yes, I think it's a temporary thing. Just a small follow-up on that. do you see interest from good distribution companies to sign new PPAs? I mean I know that you're going to have some exposure to the spot. But do you think that probably this year, you could sign new PPAs with distribution companies?

Fernando Bonnet

CEO & GM

It could be, could be. Yes, we are working with some big distribution companies on that sense. I cannot say that it's fully clear that we can finalize this year, but we are working on.

Operator

Our next question comes through Q&A test, with Marcos Seru with Allaria. I want to ask the following questions. Could you give us an approximate of the split between the energy and capacity in spot avenues? How do you see the ramping in self-supplies still through 2027? How much EBITDA should we expect from the BESS project once it is fully operational? Should we expect dividend payments this year?

Fernando Bonnet

CEO & GM

Okay. Thank you for your question, Marcos. Talking about the first question that approximately split between energy capacity in spot revenues, I could say that's depending, as I mentioned, where part of the year you are looking because that's when the variable margins start increasing when you compare, as I mentioned, the operating cost of more inefficient equipment or using liquid fuels goes up and the variable part of the remuneration goes up and the capacity payments stay fixed.

But talking about in general, could be like to say right now, in the past was more was more heavy, the capacity payment than the variable payment right now it's the opposite. So we can say 60 variable, 40 in general terms, for the capacity payment. depends, as I mentioned, this will change, depends on the month of the year, but in general, I would say that.

And the second one, how do you see the ramping, the sales procurement ramping during 2007, as I mentioned, I think that we're going to maintain the procurement as this year of liquid fuels and LNG, this will be maintained for the next one. And the part that will increase for sure in the next year will be the local natural gas sell procurement, as I mentioned, that's something that we are working on.

I don't see that we can reach 100% of self-procurement of natural gas -- local natural gas, but we will be happy that we can have at least 3 half cycles, 3 like middle cycles, combined cycles operating with our own natural gas. This will be like between 4 million or 5 million cubic meters per day average. That will be something that we'll be happy to have. It's less than -- perhaps it's more like 1/3 or 40% of our whole consumption.

And then after the -- when we get close perhaps in 2028, when we are close to the finalization of plant gas, for sure, we will go forward for the whole natural gas consumption.

Sorry, another one. And the last one was the EBITDA estimated of BESS projects. We are seeing that around in the full year operation in between $25 million, $27 million per year.

Operator

[Operator Instructions] This concludes our Q&A session.

Fernando Bonnet
CEO & GM

I would like to turn the conference back over to Mr. Fernando Bonnet for any closing remarks. Thank you. To wrap up, this was another quarter of strong execution for Central Puerto. We delivered solid financial results, continued to strengthen our commercial position, maintained a disciplined balance sheet and made meaningful progress across our strategic growth initiatives.

Looking ahead, we are focused on bringing our battery storage projects in operation on schedule, advancing and develop our new acquired Vaca Muerta assets and continuing to pursue new business expansion opportunities to create long-term value for our shareholders while preserving financial flexibility.

I would like to thank our people for their commitment, our customers and business partners for their trust, the financial sector and our shareholders for their continued support. See you soon. Thank you for joining us today, and we can disconnect. Thank you.