November 4th, 2024

Raghsa S.A.

Raghsa is a company engaged in the development, construction, sale, and leasing of premium offices and residential properties. The company is a leader in Argentina's Class AAA corporate leasing market and the development of luxury residential towers.

The firm's operating income is generated primarily from property sales and from office rentals. Among its already built and sold projects notable buildings are included like the Parc residential towers, Madero Riverside Tower, and Edificio Plaza San Martín building.

Currently, the company manages three office buildings in Buenos Aires: Torre Madero Office, Torre 995 Belgrano Office, and the Centro Empresarial Libertador. Additionally, it is about to open a new premium office building, the Centro Empresarial Nuñez. In the northern corridor of the city, the company has also acquired another adjacent lot to continue developing corporate buildings.

Raghsa has had a presence in the United States since 2020; the firm leases a residential property in New York and is planning further developments in the city.

Results

Premium office rentals in Argentina are paid in pesos adjusted by the official exchange rate, making Raghsa's rentable square meters a "dollar-linked" revenue stream. Meanwhile, property purchases and sales are paid entirely in hard currency.

As we will see further, Raghsa's financial debt and financial assets are predominantly dollar-denominated. For this reason, and as usual, we analyze the company's financial statements by adjusting stock and cash flows at the official exchange rate.

Raghsa presented its latest results for the second quarter of fiscal year 2025 (2Q25), dated August 31, 2024. The company's fiscal year ends each February.

As shown in our previous report, by the end of 3Q24 (see here), Raghsa has divested rentable square meters from Torre Madero Office over recent quarters. In its latest sale, the company transferred two functional units to Banco Comafi S.A. for USD 12.7 million. As a result, rentable space at Madero Office reached 4,911 m² in 2Q25, a 48% decrease from 2Q24.

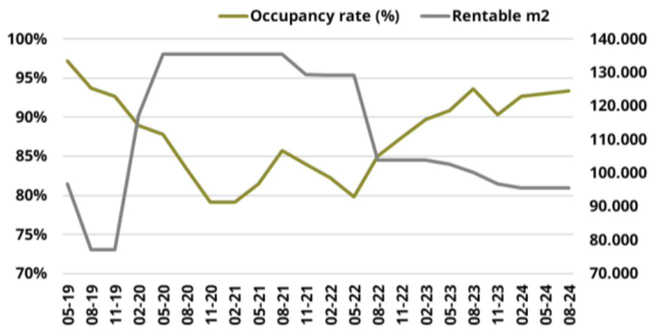
In recent years, Raghsa has focused on developing and managing premium offices certified by the U.S. Green Building Council (USGBC). Belgrano Office and Centro Empresarial Libertador, both certified Gold, now represent 95% of the total available rentable space. Additionally, Raghsa's new strategy is to concentrate more premium square meters in the northern corridor of Buenos Aires City.

As of 2Q25, the occupancy rate across the three buildings reached 90.3%. Raghsa has maintained near-full occupancy in recent quarters. The reduction in rentable square meters over recent periods continues to demonstrate more efficient usage of available space.

Occupancy rate (%)	Torre Madero Office	Torre 995 Belgrano Office	Ctro. Emp. Libertado	Total
2Q25	100%	89%	95%	93,3%
rentable m2	*4.911*	*30.499*	*60.220*	*95.630*
1Q25	100%	88%	95%	93,0%
Var (bp)	0	100	0	32
2Q24	100%	87%	96%	93,6%
Var (bp)	0	200	-100	-29
2Q23	35%	93%	96%	85,1%
Var (bp)	6500	-400	-100	826

Source: Sekoia Research based on FS.

% Occupancy and rentable m² by Q

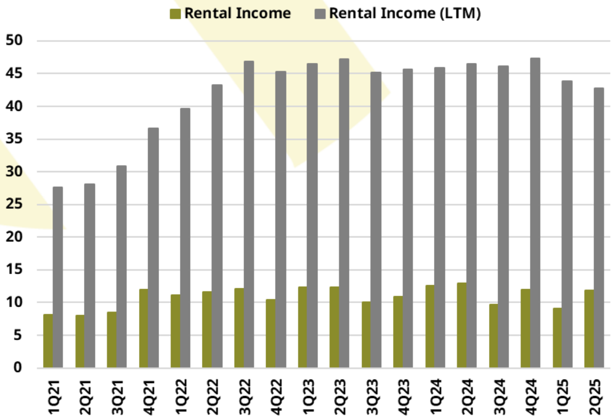


Source: Sekoia Research based on FS.

Raghsa reported USD 11.9 million in rental income for 2Q25, which represents a 31% increase compared to the previous quarter, which had a weak performance. This figure is 8% lower than in 2Q24, a modest outcome considering that the company had 5% more rentable square meters during that period.

To mitigate business seasonality, if we look at the rental income over the last 12 months (LTM), Raghsa achieved USD 42.8 million by the close of 2Q25. Naturally, due to fewer available square meters, rental income has been declining compared to previous quarters. Nonetheless, the stability in income observed since 2022, around USD 45 million annually, is noteworthy.

Rental income by Q (mill. USD)



Source: Sekoia Research based on FS.

Additionally, when reviewing the accumulated results over the past six months, rental income reached USD 28.6 million in the 1H25. This figure is consistent with last year's results and reflects a 6% increase compared to the 1H23.

As in previous periods, rental costs have again decreased in relation to income; the gross margin from rentals reached 90% in 1S25, which is 400 basis points higher than two years ago. Furthermore, administrative and marketing expenses remained stable.

mill. USD	1H25	1H24	Var (%)	1H23	Var (%)
Rental Income	28,6	28,4	1%	27,1	6%
Cost of Rentals	2,7	3,1	-11%	3,8	-27%
Gross Margin (%)	90%	89%	100bp	86%	400bp
Consortium Income	0,4	0,5	-11%	0,5	-18%
Expenses	8,6	8,7	0%	13,0	-33%
Expenses/Rental Income (%)	30%	30%	0bp	48%	-1800bp

Source: Sekoia Research based on FS.

Raghsa has rental contracts with renowned local and international corporations from various industries, including Chevron, American Express, JPMorgan, Lenovo, AWS, Quilmes, Meta, Raízen, and Pedidos Ya, among others. Its income is stable, as the default rate has historically been close to 0%. In terms of concentration risk, JPMorgan accounted for 18% of total income of the 2Q25.

Considering the 95,630 m² available and the average weighted price per m² reported by Raghsa (around USD 28), we estimate that the firm has the capacity to generate USD 32.1 million annually in rental income from its local portfolio. This calculation assumes full occupancy of the offices and does not account for any rental income from the residences in New York or the upcoming Centro Empresarial Nuñez.

Regarding the New York building, the One Union Square South, which has 16,165 m² of rentable space, Raghsa is proceeding with its revaluation while it is leased. The project is expected to be completed in 2026. Since its acquisition through a mortgage, the investment has been yielding better operational results due to improved rental prices and the inauguration of more functional units. For fiscal year 2025, annual rental income is estimated at USD 15.6 million, while expenses are projected at USD 6.7 million, resulting in an operational income of USD 8.9 million.

Investments projects

Raghsa plans to soon inaugurate the Centro Empresarial Núñez. This Class AAA tower will add 25,500 m^2, which will be certified as Gold by the USGBC. As of the close of 2Q25, there are no outstanding construction payments, meaning the property has been fully financed. With total occupancy, Raghsa estimates annual rental income of around USD 9 million.

Additionally, as mentioned in our previous report, Raghsa acquired a new plot of land in the northern corridor of Buenos Aires in March 2024. This site covers 2,800 m^2 on Avenida del Libertador and is adjacent to the Centro Empresarial Núñez. The company plans to build another premium tower with 24,000 m^2 of rentable space. The purchase was agreed upon for USD 33.5 million, part of which has already been paid in cash, while the remainder is financed through a loan from Banco Itaú Unibanco, due in March 2026. To date, Raghsa has repaid USD 7.9 million of the loan, leaving an outstanding balance of USD 8.1 million.

Construction is expected to begin in mid-2026, with a total investment of USD 160 million. So far, Raghsa has accumulated materials valued at USD 4.7 million.

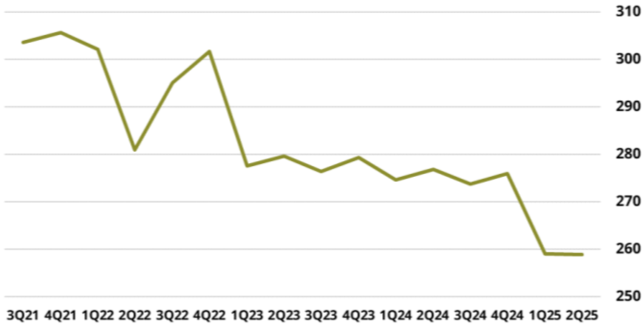
Debt profile

As of 2Q25, Raghsa reported a total financial debt of USD 258.9 million. Of this, 95% is denominated in dollars and the remaining 5% in Argentine pesos. The total commitments have remained unchanged since 1Q25 and are 6% lower than 2Q24.

The dollar-denominated financial debt as of 2Q25 consisted of 49% corporate bonds, 44% mortgage debt for the property in New York, and 2% secured debt backed by shares of the subsidiary in New York. The mortgage on the New York property amounts to USD 113.2 million, maturing in 2050, with a fixed annual interest rate of 2.65% until 2030, after which it transitions to a variable rate.

The company's growth policy is based on maintaining balanced accounts while avoiding large capital repayments. Raghsa acquires land by refinancing debt maturities and finances construction through its own business cash flow.

Total financial debt (mill. USD)



Source: Sekoia Research based on FS.

As of 2Q25, the company maintains low cash levels. Cash and bank balances reached only USD 3.8 million, which is entirely allocated to cover operating expenses.

The majority of the liquid assets are concentrated in the company's investment portfolio. By 2Q25, Raghsa totaled financial assets of USD 107 million, equivalent to 41% of its financial debt. These assets are 98% dollar-denominated and primarily consist of U.S. Treasury bonds, foreign corporate bond funds, and Argentine corporate bonds under New York law.

Considering the company's liquid assets, Raghsa's net debt as of 2Q25 reached USD 148.2 million, similar to 2Q24. If we exclude the mortgage on Union Square South, which is secured by the property itself, the net financial debt would drop to USD 35 million.

This indicates that the company could fully repay its market debt issuances using its liquid assets, supplemented by some office sales or simply by allocating an additional portion of its rental income.

At the close of 2Q25, Raghsa's debt excluding the mortgage implies annual interest commitments of USD 10.2 million. If we project rental income from Raghsa's offices at the aforementioned prices and current occupancy, Raghsa would generate USD 30 million annually. This flow would allow the company to cover up to 2.9 times the annual interest obligations using only its operating income.

mill. USD	2Q25	2Q24	Var (%)	2Q23	Var (%)
Financial Debt	258,9	259,0	0%	276,9	-6%
Cash & Equivalents	3,8	1,3	181%	4,9	-23%
Financial Assets	107,0	111,8	-4%	153,8	-30%
Net Debt	148,2	145,8	2%	118,1	25%
Financial Debt (ex. mortgage)	145,7	162,8	-10%	162,8	-10%
Net Debt (ex. mortgage)	35,0	49,6	-30%	4,0	764%
Annual Interests (ex. mortgage)	10,2				
Rentals/Annual Interests	2,9				

Source: Sekoia Research based on FS.

In a more stringent analysis, we can consider the New York property along with its mortgage and rental flows. In this case, the net financial debt would be USD 148.2 million, interest would amount to USD 13.3 million, and rental income could reach USD 45.6 million.

With these new cash flows and balances, the net debt-to-rent ratio would be 3.3 times. This is quite favorable, knowing that at least until 2030, the New York property will generate robust enough income to cover annual interest and mortgage amortization costs.

Finally, we can assess the market value of Raghsa's properties to verify its payment capacity. Following recent sales, the value of the available square meters was appraised at USD 473.1 million as of 2Q25 (equivalent to a price of USD 4,000 per m²). This value is more than three times the debt issued in corporate bonds, which is noteworthy considering it only accounts for the land value of Centro Empresarial Núñez and does not include the new plot on Avenida Libertador.

RAGHSA 8 ½ 2027

Source: Bloomberg.

Class 4 was issued for USD 58.3 million, maturing in 2027, and pays interest semi-annually with an annual coupon of 8.5%. The bond trades at a clean price in the international market of USD 101-102, offering a yield to maturity (YTM) of approximately 7.8% and a modified duration of 2.1 years.

RAGHSA 8 ¼ 2030

Source: Bloomberg.

On the other hand, Class 5, issued for USD 56.8 million, matures in 2030, also amortizing in bullet form, and features an annual coupon of 8.25%, payable semi-annually. This bond can be acquired at similar clean prices of USD 101-102, providing a very similar YTM of 7.9% but with a modified duration of 4.3 years.

Outlook

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Raghsa stands out as a leading company in the development of premium offices in the country, consolidating a new corporate hub in the northern corridor of Buenos Aires. The company has the capacity to comfortably cover the payment of its outstanding bonds through its rental income, liquid financial assets, or the sale of square meters, even at prices below market value.

With a solid expansion plan and strict control of its financial statements, Raghsa presents assets in hard currency and a very low level of indebtedness, allowing it to continue developing new real estate projects.

Adding Raghsa corporate bonds to a portfolio of local corporates is a smart move for risk diversification, especially given that Argentina's real estate sector has historically been a defensive pillar in the economy. The 2027 and 2030 bonds offer attractive coupons, ensuring a reliable income stream for those seeking stability.

With country risk premiums declining and increasing interest in corporate bonds spurred by the government's Asset Regularization Regime, Raghsa presents an appealing option, offering a more competitive yield to maturity than other local real estate developers such as Irsa. The IRSAAR 8 ¾ 2028 bond, for example, trades at a clean price of 103-104, yielding 7.1% with a 2-year duration.

In line with this view, our dollar-denominated fixed-income funds, held both locally and abroad, maintain a high weighting of RAGHSA 8 ½ 2027 and RAGHSA 8 ¼ 2030 bonds in their portfolios. We recommend that investors monitor potential new bond issuances by Raghsa, as the primary market for local corporate bonds is offering investors superior yields compared to those in the secondary market.