April 28, 2025

Transportadora de Gas del Sur S.A.

Transportadora de Gas del Sur (TGS) is an Argentine energy company that provides integrated services to the gas industry and is the country's leading gas transportation company. Its business segments are divided into regulated (Natural Gas Transportation) and non-regulated (Liquid Gases, Midstream and Other Services).

Through 9,200 km of pipeline, TGS transports 60% of Argentina's gas. It is also the second-largest liquid processor in the country. Thanks to its Cerri Complex and Puerto Galván facilities in Bahía Blanca, with a processing capacity of 47 MM m^3/d, it sold more than 1 million tons of LPG (propane and butane), natural gasoline, and ethane in 2024. Additionally, the company is the leading midstreamer in the Vaca Muerta formation. It owns 182 km of pipelines with a capacity of 60 MM m^3/d and treatment plants with a recently expanded conditioning capacity of 28 MM m^3/d in total.

Its controlling shareholder is CIESA with 51%. The shareholders of CIESA are: Pampa Energía with 50%, the Petrochemical Investment Group (Sielecki) with 27%, and PCT LLC, part of the Brazilian Safra Group, with 23%. Thus, indirectly, Pampa holds 25.5%. The remainder of the equity is divided as follows: ANSES with 24%, flotation through ADRs and local shares with 20%, and the remaining 5% is held by the company itself (to be cancelled by the next shareholders' meeting).

Results

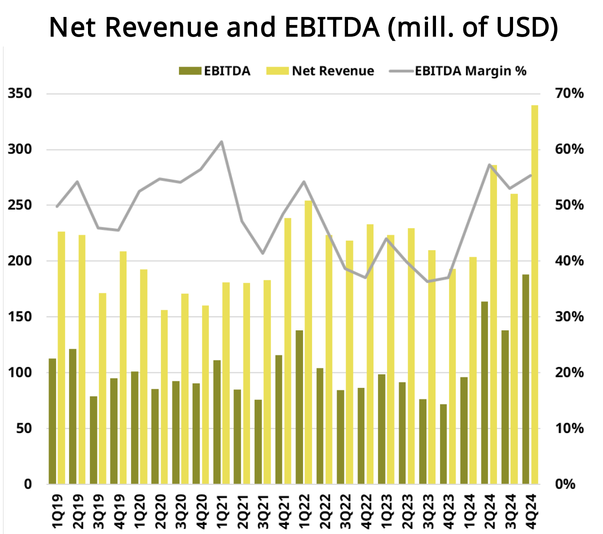
TGS presented its latest results for the end of the 2024 fiscal year. In our previous report, at the close of 1H24, we highlighted the strong recovery in gas transportation revenues and the expansion in the midstream sector. This trend strengthened during the remainder of the year, with growth and a record in sales and EBITDA in 4Q24.

The significant tariff increases in gas transportation starting in April of last year, along with subsequent hikes, drastically changed the dynamics of the regulated segment. TGS went from reporting operational losses in gas transportation in 4Q23 and 1Q24 to reaching EBITDA levels comparable to those of 2018, prior to the tariff freeze. Additionally, the midstream segment contributed with higher volumes of gas transported and conditioned in Vaca Muerta, driven by the expansion of production activity in the basin.

As a result, annual sales totaled USD 1,090 million, a year-on-year increase of 27%. The year also ended with a remarkable improvement in EBITDA, reaching USD 586 million, a 74% increase compared to 2023. Additionally, the operating and EBITDA margins reached 53% and 54%, respectively, levels not seen since 2020.

Mill. of USD	2024	2023	Δ	2022	Δ
Net Revenue	1,090	856	27%	929	17%
Operating Result	577	323	79%	394	47%
EBITDA	586	338	74%	413	42%
Operating Margin	53%	38%	1525 bp	42%	1056 bp
EBITDA Margin	54%	39%	1434 bp	44%	932 bp

Source: Sekoia Research based on Financial Statements



Source: Sekoia Research based on Financial Statements

Natural Gas Transportation. As we estimated, the segment had an excellent 2024. With USD 405 million in sales, it exceeded 2023 figures by 118% and quickly returned to profitable levels.

Sales accounted for 37% of total annual revenue, compared to 22% the previous year. In terms of productivity, the indicators were very positive. The average injection into the system reached 83.4 MMm^3/d, 14% higher than in 2023, thanks to the increased gas evacuation capacity from Vaca Muerta made possible by the Perito Moreno Gas Pipeline (GPM, formerly GPNK). Furthermore, the average deliveries rose to 69.5 MMm^3/d, and the firm contracted capacity was the highest in the last 10 years, totaling 83.5 MMm^3/d.

After the 675% tariff increase in April 2024, ENARGAS approved successive hikes: 4% in August, 1% in September, 2.7% in October, 3.5% in November, and 3% in December. In addition, so far in 2025, the government has already implemented increases of 2.5% in January and 1.5% in February. The final definition of the Five-Year Tariff Review ("RQT") is still pending. In the last public hearing held for that purpose this past February, ENARGAS proposed a periodic adjustment composed of 50% based on CPI and 50% based on PPI.

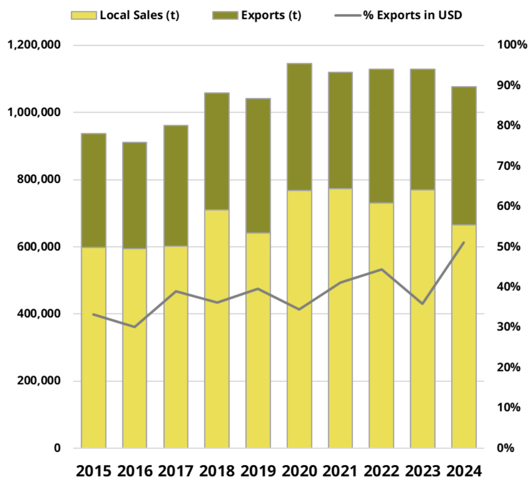
The improvements in productivity and pricing in the transportation segment were clearly reflected in EBITDA. Transportation closed 2024 with an EBITDA contribution of USD 252 million (43% of the total), nearly USD 200 million higher than in 2023. Additionally, the segment's EBITDA margin rose from 39% to 54% in just one year.

TGS holds a license to operate transportation services until 2027, but the extension period can be prolonged by decree for up to an additional 20 years. It is expected that during 1H25, the government will decree the extension. In this context, TGS presented a USD 700 million investment plan in 2024; USD 500 million would be allocated to expanding the capacity of the GPM (under the framework of the Incentive Regime for Large Investments, "RIGI"), and USD 200 million would be used to increase pressure within its current transportation system. The project would allow transport volumes to rise to meet periods of high demand and avoid imports.

Liquid Gases. In 2024, sales from this segment reached USD 488 million, representing 45% of TGS's total revenues. This reflected a 3% decline compared to 2023. For the first time, exports exceeded domestic sales. These exports accounted for 23% of the company's total sales, with this being the only segment in which TGS has a presence in international markets.

Tons sold declined by 5% compared to 2023 (with exports accounting for 38% of the total). Due to operational difficulties at the client PBB (Dow) and maintenance activities, the volume of ethane sold domestically fell by 21%. In contrast, tons of butane exported increased by 58% year-over-year, while propane exports grew by 20%. The rise in international prices encouraged exports.

Annual Liquid Gas Sales (t)



Source: Sekoia Research based on Financial Statements

In terms of EBITDA, the results were very positive. The segment totaled USD 201 million, 18% higher than in 2023. The lower cost of natural gas acquired for processing supported the expansion of the EBITDA margin, which rose from 34% in 2023 to 41% in 2024.

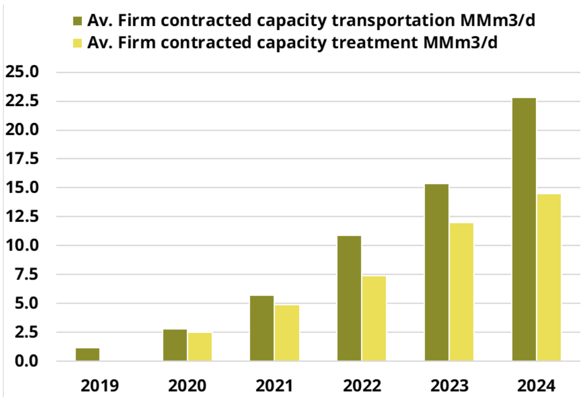
In the domestic LPG market, TGS participates in the supply programs defined by the government. Once the mandatory quota is met, any surplus is directed to exports. In January 2025, the government removed the price caps for the domestic sale of propane and butane, replacing them with a new limit: export parity.

Regarding liquid production, since March 2025, TGS's operations have been severely affected by flooding in Bahía Blanca. As a result, the company had to completely suspend liquid production and face partial interruptions in gas transportation in the area. In response, ENARGAS took emergency measures, restricting supply to interruptible users and ordering power generation to switch to liquid fuels to prioritize essential demand. The complex remains out of service while TGS continues with damage assessments and recovery efforts. We estimate that the disruption will significantly impact the liquid segment's results in 1H25.

Midstream and Other Services. TGS operates in Vaca Muerta through 182 km of pipelines with a transportation capacity of 60 MMm^3/d, in addition to providing gas treatment and compression services at its Tratayén plant. This segment also includes the operation and maintenance of third-party infrastructure. The company operates the GPM on the Tratayén–Salliqueló stretch (573 km) and the Mercedes–Cardales pipeline, which adds another 80 km.

In 2024, TGS launched the first module of the Tratayén treatment plant, which increased capacity to 21.4 MMm^3/d by mid-year. In February 2025, a second module was inaugurated, raising the total capacity to 28 MMm^3/d, thus completing the USD 350 million investment plan that began in 2023. Thanks to the new operational capacity, TGS secured new gas transportation and treatment contracts in 2024. The average firm contracted capacity for transportation reached 22.8 MMm^3/d, while treatment capacity totaled 14.5 MMm^3/d.

Firm Contracted Capacity (MMm3/d)



Source: Sekoia Research based on Financial Statements

In 2024, sales reached USD 89 million, representing a 16% increase compared to 2023, and 18% of TGS's total revenue. Meanwhile, EBITDA totaled USD 133 million, accounting for 23% of the total. The EBITDA margin remained high, close to 70%.

Debt Profile

As of the close of 2024, TGS reported financial debt of USD 562 million. The debt is entirely denominated in dollars and is primarily composed of the 2031 international bond, which represents 89% of the total. The remaining 11% consists of bank loans and leases. In 2024, TGS early redeemed its 2025 bond and, almost simultaneously, issued a new 2031 bond for USD 490 million. As a result, the company established a debt profile with virtually no capital payments due until 2031.

TGS closed 2024 with a cash position of USD 58 million, 69% of which was held in dollars. Meanwhile, the company's financial assets showed a strong increase of 34% compared to 2023, reaching an impressive USD 716 million. Of these instruments, 81% are dollar-denominated (56% in hard dollars and 25% dollar-linked).

As a result of the strong cash position and financial assets, net debt closed negative at USD -212 million. The Net Debt/EBITDA ratio reached -0.4x (the lowest we have recorded), and EBITDA coverage over interest reached 11.3x.

Mill. de USD	4Q24	4Q23	Δ	4Q22	Δ
Financial Debt	562	583	-4%	534	5%
Cash	58	8	611%	17	245%
Fianancial Assets	716	542	32%	448	60%
Net Debt	-212	33	-741%	69	-409%
Annual EBITDA	586	338	74%	413	42%
Net Debt/EBITDA	-0.4	0.1	-0.5	0.2	-0.5
Annual Interests	52	52	-1%	41	28%
EBITDA/Interests	11.3	6.4	4.8	10.2	1.1

Source: Sekoia Research based on Financial Statements

TRAGAS 8 ½ 2031

The bullet bond has a coupon of 8.5% with semiannual payments. It trades clean in the international market at 103.25/103.75 USD, offering a YTM of 7.85/7.75% with a modified duration of 4.7 years. The minimum piece is 10,000, with increments of 1,000.

Source: Bloomberg.

Outlook

TGS's performance during fiscal year 2024 has been notably positive. For 2025, we expect transportation to maintain its leading role, within a context where the implementation of a new regulatory framework is anticipated to encourage investments. Additionally, the recent gas exports to Brazil will imply greater utilization of transportation capacity. In the midstream segment, there is still room for growth: gas production in Vaca Muerta continues to expand, and the second module at Tratayén is already operational. On the other hand, the liquid segment will face significant challenges, as severe flooding halted production, and energy commodity prices are being affected by fears of a recession.

TGS's solid financial position provides considerable room to undertake future investment projects. The company is in an optimal position to finance growth plans. Since its market debut in mid-2024, the TRAGAS 8.5% 2031 bond has shown risk compression. Recent volatility in global markets has pressured emerging-market fixed-income assets, creating an attractive entry opportunity into solid instruments like the TRAGAS 8.5% 2031. Compared to similar issuers such as YPF, Pampa, and PAE, and considering its negative net debt, TGS stands out as the most attractive option in terms of risk-return. In this context, our fixed-income funds maintain a high exposure to the TRAGAS 8.5% 2031 bond. Likely the healthiest name in Argentina.

Kind regards,

Sekoia Research
research@sekoia.com.uy