

30th January 2025

Tecpetrol S.A.

Tecpetrol S.A. is dedicated to the exploration, development, and production of oil and gas. Founded in 1981, the company is a subsidiary of Tecpetrol Internacional S.L.U., a holding based in Spain that is part of the Techint group. Tecpetrol Internacional has operations in Mexico, Colombia, Ecuador, Peru, Bolivia, and Argentina.

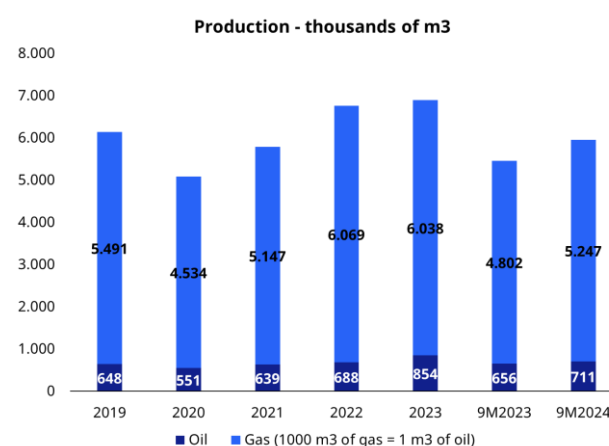
Tecpetrol S.A., the Argentine subsidiary, divides its operations into two segments. First, the Neuquén Basin, which produces Medanita (light) crude oil and natural gas. The company has a strong presence in Vaca Muerta, controlling more than 200.000 acres, ranking second after YPF. It operates through unconventional hydrocarbon exploitation concessions in the Fortín de Piedra and Punta Senillosa areas, both granted in 2016 for 35 years. Additionally, it operates in the Puesto Parada area, granted in 2022 for the same number of years. Finally, the company has joint unconventional operations in the Los Toldos I Norte, I Sur, and II Este areas. Regarding conventional operations, the company holds all exploitation rights in the Los Bastos area, along with joint operations in Agua Salada and Loma Ancha, both with concessions expiring at the end of 2025.

Secondly, there is the Northwest of Argentina, the San Jorge Basin, and others. This segment, primarily producing Escalante (heavy) crude oil and gas, includes operations in Aguara Güe and Ramos in Salta, El Tordillo and La Tapera – Puesto Quiroga in Chubut, and Lago Argentino in Santa Cruz. Additionally, the company holds exploration rights in the Gran Bajo Oriental area in Santa Cruz and the MLO-124 area in the Malvinas marine basin.

In the Neuquén Basin, operations at Fortín de Piedra are the growth pillar. For Tecpetrol S.A., the area represents more than 60.000 acres, USD 3,6 billion in investments, 16% of national gas dispatches (leading nationwide), and a production record of 848 MMcf/d in July 2024.

Production and proven reserves

Tecpetrol's activities focus mainly on natural gas and, secondarily, crude oil. For the first nine months of 2024, natural gas production was 5.274 million cubic meters, a 9% increase compared to the same period in the previous year, accounting for 88,1% of total production. Crude oil production totaled 711.000 cubic meters, 82% of which was light crude and the rest of the heavier type. This represented an 8% increase over the first nine months of 2023. Measured in barrels of oil equivalent (boe), Tecpetrol has a production flow of 127 mboe/d for LTM 3Q24.



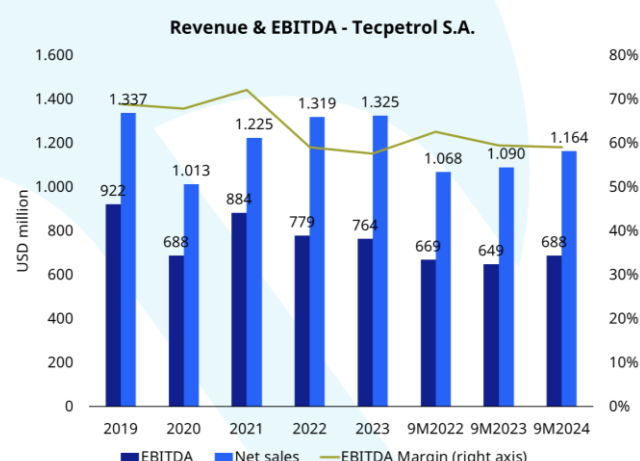
Source: Tecpetrol S.A. financial statements.

Regarding proven reserves, the company operates and explores a total of 15 areas: 9 in the Neuquén Basin, 3 in the San Jorge Gulf, 2 in Salta, and 1 in Malvinas. By the end of 2023, the company reported a total of 662 MMboe in proven reserves. Of the total, only 6% corresponds to oil, with the rest being gas. 95.4 MMboe of gas reserves are developed, and 525.8 MMboe are undeveloped. According to Fitch, this represents a life index of 11-15 years. In comparison, Pan American Energy's reserves are estimated to have a 19-year index, and Vista's, 15 years.

Results

The company has adopted the US dollar as its functional currency, so our analysis is also in the same currency.

By the end of the latest financial statements (9M2024), sales reached USD 1.164 million, a 6,7% increase compared to the same period in 2023. 70% corresponds to natural gas, and the remaining 30% to oil. The increase in sales is explained by higher gas dispatches, with production increasing by 9,2%, and higher average oil prices, offset by decreases in gas selling prices. For reference, between the two nine-month periods, the global average price of natural gas dropped by about 15%. Approximately 12% (20% of sales) of production is destined for exports.



Source: Tecpetrol S.A. financial statements.

Gross operating costs decreased by 2,4% in dollars, mainly due to lower depreciation charges and higher royalties, but offset by increased needs for well maintenance.

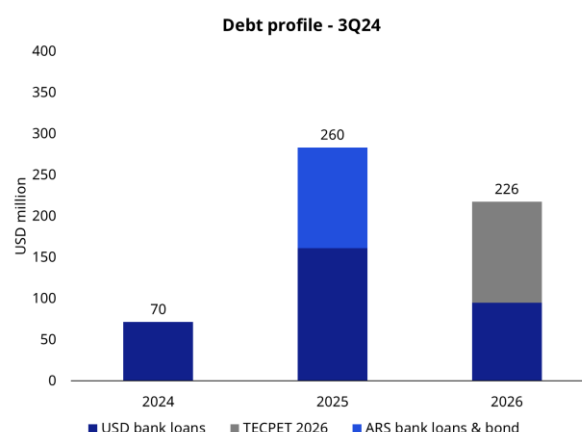
Tecpetrol S.A. (USD million)	9M2024	9M2023	Var %	9M2022	Var %
Net sales	1.164	1.090	7%	1.068	9%
Cost of sales	-770	-789	-2%	-651	18%
Operating costs	-169	-143	18%	-115	47%
EBITDA	688	649	6%	669	3%
Operating income	226	161	40%	309	-27%
Net income	363	132	175%	204	78%
Operating margin	19,38%	14,74%	+ 464 bps	28,92%	- 954 bps
EBITDA margin	59,11%	59,53%	- 42 bps	62,58%	- 347 bps

Source: Tecpetrol S.A. financial statements.

Operating costs saw a significant increase, but this was primarily due to provisions and an accounting loss from collecting debts against the state via sovereign bonds last year. EBITDA remains solid, increasing by 6% compared to the same period last year.

Debt Profile

After the latest closing, total financial debt as of the first nine months of 2024 was around USD 560 million. It consists of 57% in USD bank loans with an average interest rate of 5,27%, 21% in loans in Argentine pesos with a 43% annual rate, along with a Badlar+3% bond maturing in January 2025, and finally, 22% in a hard-dollar Argentine law Class 7 corporate bond. The latter is a USD 120 million issuance, maturing in April 2026, with a 5,98% rate. Therefore, the debt profile is concentrated in the short term.



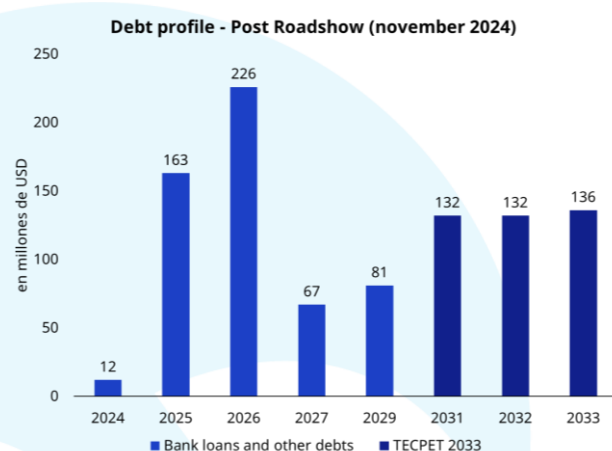
Source: Tecpetrol S.A. financial statements.

Thus, with EBITDA at USD 803 million for the last twelve months, the company's leverage ratio is 0.7x, and interest coverage is around 6 times.

Tecpetrol S.A. (USD million)	9M2024	9M2023	Var %
Total debt	573	710	-19%
Cash & marketable securities	15	154	-90%
Net debt	559	556	1%
LTM EBITDA	803	745	8%
Net leverage	0,70	0,75	-7%
Interest coverage	6,33	4,59	38%

Source: Tecpetrol S.A. financial statements.

In January 2025, Tecpetrol issued a new bond under New York Law for USD 400 million, maturing in 2033 with a coupon of 7.625%. The bond amortizes in 3 installments (33%/33%/34%), payable starting in 2031. Updating the profile with the TECPET 7 5/8 01/22/33 payments and information provided by the company in its institutional presentation at the Roadshow, the company's maturities stretch until 2033, with an average maturity of 3.7 years and gross debt of USD 949 million.



Source: Tecpetrol S.A. financial statements and institutional presentation.

Outlook

Tecpetrol has a long history in Argentina. With operations since 1981 and 586 wells currently in operation, it is one of the most important companies in Vaca Muerta, especially in natural gas. It is true that the company is exposed to CAMMESA and ENARSA (Gas Plan), but this has not caused any solvency or profitability issues.

However, the company's strategic focus is now directed towards developing the Los Toldos II Este area, aiming to increase the share of unconventional crude oil in the company's revenue. The goal is to quintuple current production to reach 100 kboe/d for export purposes, transported via the OLDELVAL pipeline.

This, along with support from Techint through Tecpetrol Internacional, gives us great confidence. With a parity of 101%, a yield of 7.4%, and a duration of 5.3 on its 2033 bond, Tecpetrol is an issuer with which we feel very comfortable. Thus, both of our funds (local and international) are positioned in this bond. Additionally, since it is a bond with low minimums (1,000/1,000), it is ideal for portfolios seeking flows through individual bonds.

Kind regards,

Juan José Battaglia
juan@cucchiara.com.ar

Manuel Carvalho
manuel@cucchiara.com.ar

Ian Weber
ian@cucchiara.com.ar

Tomás Mangino
tomasmandino@cucchiara.com.ar