

Tear Sheet:

Compania General de Combustibles S.A.

March 27, 2025

This report does not constitute a rating action.

Compania General de Combustibles S.A. (CGC)'s latest acquisition is being partially financed with a capital contribution. On March 21, 2025, the company announced the acquisition of a 49% stake in the Aguada del Chañar area--the Vaca Muerta block in Argentina's Neuquen province--from YPF S.A. (B-/Stable/--). CGC will pay \$75 million up front and 80.4% of YPF's costs and investments in this field in four annual instalments over 2026-2029. On March 25, 2025, CGC also announced a capital contribution from its parent company of \$175 million.

This acquisition is very important to CGC for various reasons. It provides moderate growth, increasing daily production to about 65 thousand barrels of oil equivalent per day (boe/d) from 55 thousand boe/d in 2024. Furthermore, it allows CGC to enter an attractive and productive field in Vaca Muerta, gradually transitioning away from more mature blocks. YPF is the most relevant oil and gas player in Argentina and represents a highly strategic partner to CGC. The company is also partially owned by the Argentine government, providing lobby and bargaining power. S&P Global Ratings expects the acquisition to contribute EBITDA and support gross adjusted leverage reduction at CGC to about 3.4x in 2025 from 5.1x in 2024, opening a window for tapping international debt markets in second-half 2025 to refinance close to \$600 million maturing in 2026.

CGC needs to refinance significant debt maturities in 2025 and 2026, and market access is not always a given, especially for Argentine corporations. The company's liquidity remains pressured, with sources of funds below uses of funds in the next 12 months. As of December 2024, the company had \$138 million in cash and equivalents and about \$220 million of debt maturities in 2025. Moreover, CGC faces about \$590 million of debt maturities in 2026. Most of these maturities relate to bank loans and bonds issued in the Argentine domestic market.

We believe the recent announcement of CGC entering the Vaca Muerta field partly financed by a cash contribution from its parent sets a good precedent for future growth and refinancing opportunities. However, its tight liquidity position with heavy debt maturities raises refinancing risks amid sovereign challenges. Although the company plans to sell its midstream assets, mainly its indirect 28% stake in Transportadora de Gas del Norte (TGN; not rated) for about \$400 million, the timing and conditions of such a transaction are uncertain.

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Recent Research

- Several Argentine Corporate, Infrastructure Entities Upgraded On Improved Transfer And Convertibility Risk Assessment, Feb. 6, 2025
- Industry Credit Outlook 2025: Oil and Gas, Jan. 14, 2025

Company Description

CGC is an Argentina-based oil and gas exploration and production company. About 60% of CGC's oil and gas production comes from the Austral Basin and 39% comes from the San Jorge Basin--both in southern Argentina. Gas represents about 60% of total production, and approximately 65% of that amount is from unconventional sources. Proven reserves total about 158 million boe. Oil and gas production totals about 54,000 boe/d.

The company also operates in the midstream segment through stakes in three gas transportation pipelines: a 28% indirect stake in Transportadora de Gas del Norte (TGN), a 40% indirect stake in Gasoducto GasAndes, and a 16% indirect stake in Transportadora de Gas del Mercosur, with 18.6 billion cubic meters of gas transported by TGN in 2024. Corporacion America International S.A.R.L. (not rated) ultimately controls CGC through a 70% stake and holds, either directly or indirectly, controlling interests in various other businesses, mainly related to airport operations. Although we think that CGC is important to the group's growth strategy, the ratings on CGC do not incorporate either support or negative influence from the group.

Outlook

The stable outlook reflects that we expect CGC to maintain sound operating performance, increasing EBITDA generation about 25% and production about 18% in 2025 due to the recent acquisition of Aguada del Chañar in Vaca Muerta, Argentina. This is being financed by a parent company capital contribution, supporting liquidity. We also expect gross debt to EBITDA of about 3.5x and negative free operating cash flow to debt in the next 12 months.

Downside scenario

We could lower the ratings in the next six to 12 months if we see higher refinancing risk and weaker liquidity, for example if international debt markets remain closed for Argentine corporates or if the domestic bond market loses steam. We could also lower the ratings in the next six to 12 months if the country tightens restrictions on accessing the foreign exchange market and we revise our transfer and convertibility assessment on Argentina below 'CCC+'.

Upside scenario

We could raise our ratings on CGC in the next six to 12 months if the company successfully extends its debt maturity profile and improves liquidity.

Key Metrics

Compania General de Combustibles S.A.--Key metrics

--Fiscal year ended Dec. 31--

(Mil. ARS)	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	147,291	521,612	1,091,647	1,953,947	2,686,380	3,113,569
EBITDA (Adjusted)	43,600	160,854	299,545	716,552	1,018,148	1,172,615
Funds from operations (FFO)	24,085	121,953	144,222	592,787	796,836	924,603
Interest expense	8,988	22,051	55,784	104,225	194,448	216,014
Cash flow from operations (CFO)	13,948	19,967	158,615	516,114	742,915	902,607
Capital expenditure (capex)	48,234	249,104	574,750	722,960	886,506	934,071
Free operating cash flow (FOCF)	(34,286)	(229,137)	(416,135)	(206,846)	(143,590)	(31,463)
Dividends	860	3,963	0	0	0	0
Discretionary cash flow (DCF)	(35,147)	(233,100)	(416,135)	(206,846)	(143,590)	(31,463)
Debt (Adjusted)	142,665	1,109,461	1,538,871	2,459,885	3,298,558	3,897,610
Cash and Equivalents (reported)	31,315	186,726	141,860	394,442	302,504	195,006
Adjusted ratios						
Debt/EBITDA (x)	3.3	6.9	5.1	3.4	3.2	3.3
FFO/debt (%)	16.9	11.0	9.4	24.1	24.2	23.7
EBITDA interest coverage (x)	4.9	7.3	5.4	6.9	5.2	5.4
CFO/debt (%)	9.8	1.8	10.3	21.0	22.5	23.2
FOCF/debt (%)	(24.0)	(20.7)	(27.0)	(8.4)	(4.4)	(0.8)
DCF/debt (%)	(24.6)	(21.0)	(27.0)	(8.4)	(4.4)	(0.8)
EBITDA margin (%)	29.6	30.8	27.4	36.7	37.9	37.7
A--Actual. e--Estimate. f--Forecast. ARS--Argentine peso.						

Financial Summary

Compania General de Combustibles S.A.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (bil.)	ARS	ARS	ARS	ARS	ARS	ARS
Revenues	31	31	73	147	522	1,092
EBITDA	18	19	35	44	161	300
Funds from operations (FFO)	15	14	28	24	122	144
Interest expense	3	4	6	9	22	56
Cash interest paid	2	4	5	7	20	54
Operating cash flow (OCF)	16	11	16	14	20	159
Capital expenditure	11	7	18	48	249	575
Free operating cash flow (FOCF)	5	4	(3)	(34)	(229)	(416)
Discretionary cash flow (DCF)	5	4	(4)	(35)	(233)	(416)
Cash and short-term investments	6	7	19	31	187	142
Gross available cash	6	7	19	31	187	142

Compania General de Combustibles S.A.--Financial Summary

Debt	29	39	66	143	1,109	1,539
Common equity	19	24	31	67	87	422
Adjusted ratios						
EBITDA margin (%)	59.8	61.4	47.5	29.6	30.8	27.4
Return on capital (%)	33.0	18.1	22.7	10.4	7.7	(6.9)
EBITDA interest coverage (x)	7.2	4.8	5.7	4.9	7.3	5.4
FFO cash interest coverage (x)	7.0	4.3	6.3	4.5	7.0	3.7
Debt/EBITDA (x)	1.6	2.0	1.9	3.3	6.9	5.1
FFO/debt (%)	51.9	37.0	42.0	16.9	11.0	9.4
OCF/debt (%)	55.6	27.5	23.5	9.8	1.8	10.3
FOCF/debt (%)	17.3	10.0	(4.2)	(24.0)	(20.7)	(27.0)
DCF/debt (%)	16.5	9.1	(6.0)	(24.6)	(21.0)	(27.0)

Peer Comparison

Compania General de Combustibles S.A.--Peer Comparisons

	Compania General de Combustibles S.A.	GeoPark Ltd.	Pampa Energía S.A.	YPF S.A.	CAPEX S.A.
Foreign currency issuer credit rating	CCC+/Stable/--	B+/Stable/--	B-/Stable/--	B-/Stable/--	B-/Stable/--
Local currency issuer credit rating	CCC+/Stable/--	B+/Stable/--	B-/Stable/--	B-/Stable/--	B-/Stable/--
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2024-12-31	2024-12-31	2024-04-30
Bil.	ARS	ARS	ARS	ARS	ARS
Revenue	1,092	612	1,733	17,895	332
EBITDA	300	372	680	4,457	136
Funds from operations (FFO)	144	247	528	3,554	115
Interest	56	30	187	718	56
Cash interest paid	54	22	131	648	21
Operating cash flow (OCF)	159	221	258	4,980	32
Capital expenditure	575	161	395	5,139	117
Free operating cash flow (FOCF)	(416)	60	(137)	(159)	(84)
Discretionary cash flow (DCF)	(416)	11	(137)	(159)	(84)
Cash and short-term investments	142	108	1,721	1,553	16
Gross available cash	142	108	1,721	1,553	16
Debt	1,539	446	2,192	12,000	354
Equity	422	142	3,400	12,232	348
EBITDA margin (%)	27.4	60.8	39.2	24.9	41.0
Return on capital (%)	(6.9)	40.3	10.6	9.5	1.2
EBITDA interest coverage (x)	5.4	12.3	3.6	6.2	2.4
FFO cash interest coverage (x)	3.7	12.1	5.0	6.5	6.5

Compania General de Combustibles S.A.--Peer Comparisons

Debt/EBITDA (x)	5.1	1.2	3.2	2.7	2.6
FFO/debt (%)	9.4	55.3	24.1	29.6	32.4
OCF/debt (%)	10.3	49.5	11.8	41.5	9.1
FOCF/debt (%)	(27.0)	13.5	(6.2)	(1.3)	(23.8)
DCF/debt (%)	(27.0)	2.4	(6.3)	(1.3)	(23.8)

Liquidity

We assess CGC's liquidity as less than adequate given that we expect sources of cash to uses of below 1.0x in the next 12 months. We believe CGC's ability to absorb high-impact and low-probability events is limited, given no major cash cushion or access to committed revolver facilities.

However, the company benefits from long-standing relationships with various local banks, illustrated by several syndicated loan agreements and loans obtained in the local market to refinance short-term debt. Moreover, we consider CGC has demonstrated that it can raise considerable funds in the local bond market despite volatile economic conditions. In addition, the parent company's capital contribution provides financial flexibility.

Principal liquidity sources

- Cash and equivalents of Argentine peso (ARS) 141 billion (including ARS85 billion in securities) as of Dec. 31, 2024;
- Funds from operations of about ARS490 billion in the next 12 months;
- About \$27 million of fresh funds raised through the local bond market issuance; and
- Parent company capital contribution of \$175 million.

Principal liquidity uses

- Principal debt maturities of about ARS257 billion as of Dec. 31, 2024;
- Working capital outflows of about ARS100 billion in the next 12 months;
- Capital expenditure of about ARS580 billion in the next 12 months; and

- Aguada del Chañar field acquisition of \$75 million.

Rating Component Scores

Foreign currency issuer credit rating	CCC+/Stable/--
Local currency issuer credit rating	CCC+/Stable/--
Business risk	--
Country risk	--
Industry risk	--
Competitive position	--
Financial risk	--
Cash flow/leverage	--
Anchor	--
Diversification/portfolio effect	--
Capital structure	--
Financial policy	--
Liquidity	--
Management and governance	--
Comparable rating analysis	--
Stand-alone credit profile	--

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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