S&P Global
Ratings

RatingsDirect®

Research Update:

Compania General de Combustibles Upgraded To 'B-' On Lower Refinancing Risk And Improved Profitability; Outlook Stable

July 23, 2026

Primary Contact

Agustina R Yonni Glucksmann
Buenos Aires
54-114-891-2163
agustina.yonni
@spglobal.com

Secondary Contact

Amalia E Bulacios
Buenos Aires
54-11-4891-2141
amalia.bulacios
@spglobal.com

Rating Action Overview

- Argentina-based oil and gas exploration and production company Compañia General de Combustibles S.A. (CGC) has successfully executed liability management, reducing overall refinancing risk.
- The integration of production from Aguada del Chañar, the implementation of a comprehensive efficiency plan, and higher oil prices have improved the company's performance.
- Therefore, we raised our issuer credit and issue-level ratings on CGC to 'B-' from 'CCC+'.
- The stable outlook reflects CGC's lower refinancing risk, alongside our expectation that favorable commodity prices and ongoing cost-reduction initiatives will enable the company to continue improving profitability and reduce S&P Global Ratings-adjusted debt to EBITDA to around 3x in the next two years.

Rating Action Rationale

The upgrade reflects improvements in CGC's credit metrics and a reduction in refinancing risk thanks to liability management. The company's operating performance has improved amid much more favorable oil prices with Brent projected at approximately $110 per barrel (bbl) for the remainder of 2026, compared with our $60/bbl assumption at the beginning of the year. Also, CGC's efficiency plan allowed it to capture significant synergies within its core conventional assets. In addition, since late 2025, the company has strengthened its maturity profile by reducing refinancing pressure thanks to the following factors:

- The issuance of $300 million, 11.875% senior notes due 2030 in the U.S. in November 2025;
- The opportunistic exchange of $149 million of 2026 dollar-linked notes for cash and new Series 39 notes due 2027 in December 2025;
- The refinancing of $151.2 million of syndicated debt in February 2026;

- The issuance of $55.2 million 9.5% Series 40 two-year local notes in March 2026; and
- The add-on of $200 million to the 2030 notes in May 2026, bringing the total issuance to $500 million.

These actions have enabled CGC to cover the remaining 2026 maturities and substantially improve the visibility of the 2027 maturity profile.

We expect output volumes to range from 43 thousand barrels of oil equivalent per day (kboe/d) to 46 kboe/d in the next two years, given a strategic shift toward oil production that's likely to accelerate with the development of Aguada del Chañar (ADCh)**.** Following the March 21, 2025, farm-in agreement with YPF S.A. to acquire a 49% interest in the ADCh block in Vaca Muerta, CGC has been able to incorporate unconventional crude production to compensate for the natural decline in its mature gas assets.

While we expect total production to slip in the near term due to lower gas volumes in the Austral Basin, this is a deliberate result of the company's decision to optimize resource allocation and concentrate on core and more efficient oil-producing assets. We anticipate that production will reach approximately 46 kboe/d in 2026 and 43 kboe/d in 2027 and rise to approximately 48 kboe/d and 50 kboe/d in 2028 and 2029, respectively, as the Aguada del Chañar assets reach plateau. As a result, by 2027, we expect the production mix to reach approximately 60% oil and 40% gas, and about 25% corresponding to shale.

Strong oil prices and CGC's ongoing efficiency plan are improving profitability and reducing leverage. CGC has made a significant progress in implementing an integrated efficiency plan to enhance its conventional portfolio, which included operational and procedural optimization, reorganization of administrative functions, and the insourcing of services. This plan delivered $97 million in savings in 2025 despite high inflation and foreign-exchange volatility in Argentina.

Consequently, the company's S&P Global Ratings-adjusted EBITDA (including midstream dividends and certain restructuring expenses) rose to $287 million and margin to 30% in 2025 from 25% in 2024. For 2026, we forecast additional savings of approximately $76.1 million. This, combined with higher oil prices and lower lifting costs because of the development of ADCh, will enable S&P Global Ratings-adjusted EBITDA (including midstream dividends) to jump to approximately $600 million in 2026 and $522 million in 2027, with EBITDA margins improving to approximately 55% in both years. As a result, we expect S&P Global Ratings-adjusted debt to EBITDA to improve to around 3x in 2026 and 2027 from 6x in 2025, while funds from operations (FFO) to debt to strengthen to 25%-26% during the same period.

CGC has optimized its investment plan to balance growth and cash flow. Given favorable prices for 2026, management has made the strategic decision to accelerate certain investments, pulling forward a portion of the 2027 capital expenditure (capex) budget into the current year. We now expect capex of about $305 million in 2026 and $314 million in 2027, mostly related to the development of ADCh. However, we believe the company's higher EBITDA will continue to support free operating cash flow.

Outlook

The stable outlook on CGC reflects its reduced refinancing risk and improved profitability and leverage metrics amid strong oil prices and significant cost savings. We forecast that the company will refinance its debt while maintaining FFO to debt of 25%-30% and S&P Global Ratings-adjusted debt to EBITDA of around 3x through 2027.

Downside scenario

We could lower our ratings on CGC in the next 12 months if its liquidity weakens, or if we come to view that its leverage is well above 5x and cash flow become unsustainable over the long term. This would most likely occur if commodity prices decline sharply below our price deck assumptions and profitability weakens, or if the company is unable to continue accessing markets to refinance its upcoming maturities.

Upside scenario

We could raise the ratings if the company continues improving its operating performance, providing confidence that it will maintain S&P Global Ratings-adjusted debt to EBITDA below 3x and FFO to debt increases above 30% in more normalized oil price scenarios, while it maintains comfortable liquidity cushion. This could occur if oil prices remain stronger for longer amid structural industry shifts, production outperform our expectations, or CGC reduces debt. An upgrade would also require the company's ability to withstand a sovereign stress scenario.

Company Description

CGC is an independent energy company based in Argentina, primarily engaged in the exploration, development, and production of crude oil and natural gas, with a secondary focus on liquefied petroleum gas. The company maintains an upstream portfolio across five basins in Argentina with substantially all of its oil production and exploration activities in the San Jorge Gulf basin in the Province of Santa Cruz and the Neuquina basin in the Province of Neuquén. As of December 2025, gas production was geographically diversified, with 61% at the Austral Basin and 39% at the San Jorge Basin. Oil production was more concentrated, with 90% in the San Jorge Basin, followed by the Austral Basin (8%), and the Cuyana Basin (2%). CGC's presence in the Neuquina Basin includes a nonoperating interest in the ADCh block. We expect ADCh to contribute around 19% of total production in 2026.

Gas accounts for approximately 51% of total production, with unconventional sources representing roughly 65% of that gas volume. As of December 2025, proven reserves totaled 160.2 million barrels of oil equivalent (Mboe).

The company also operates in the midstream segment through stakes in three gas transportation pipelines: a 28.2% indirect stake in Transportadora de Gas del Norte (TGN), a 43.5% indirect stake in Gasoducto GasAndes, and a 15.8% indirect stake in Transportadora de Gas del Mercosur, with 19.5 billion cubic meters of gas transported by TGN in 2025. Corporacion America International S.A.R.L. ultimately controls CGC through a 77% stake and holds, either directly or indirectly, controlling interests in various other businesses, mainly related to airport operations.

Our Base-Case Scenario

Assumptions

- Argentina's GDP to grow 2.7% in 2026 and around 3% in 2027.
- Average inflation rate in Argentina of 31.8% in 2026 and 22.3% in 2027.
- Argentina's average foreign exchange rate of Argentine peso (ARS) 1,600 per $1 in 2026 and ARS1,775 per $1 in 2027, which affects revenue and some dollar-linked costs.

- Effective realized oil sale prices of $88 per boe in 2026 and $78 per boe in 2027, given our price assumptions for Brent crude oil at $98/bbl in 2026 and $80/bbl in 2027 and discounts.
- Average realized gas prices around $5.2 per million Btu in 2026 and around $4.4 per million Btu in 2027, including the benefits related to the government's gas production incentive program.
- Oil production of 26 kboe/d in 2026 and 2027.
- Total gas production of around 3.2 million cubic meters (m3/d) per day in 2026, decreasing to 2.8 million m3/d in 2027.
- Lifting costs dropping to around $28/boe in 2026 and $26/boe in 2027.
- Dividends from midstream assets of about $45 million in 2026 and $57 million in 2027.
- Capex of about $305 million in 2026 and $314 million in 2027, in line with the company's guidance.
- Gross adjusted debt of $1.6 billion in 2026, decreasing to $1.4 billion in 2027, which includes committed capex for ADCh.

Key metrics

Compania General de Combustibles S.A.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Bil. ARS)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	147	522	1,092	1,366	1,828	1,647	1,839	1,999
Gross profit	56	211	373	528	1,056	945	1,054	1,159
EBITDA (reported)	44	136	(112)	323	857	744	843	941
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other*	(0)	25	385	90	168	184	200	216
EBITDA	44	161	273	413	1,025	928	1,043	1,157
Less: Cash interest paid	(7)	(20)	(54)	(75)	(171)	(171)	(169)	(189)
Less: Cash taxes paid	(13)	(11)	(23)	(8)	(20)	(33)	(103)	(120)
Plus/(less): Other	--	(8)	(79)	(72)	(91)	(82)	(92)	(100)
Funds from operations (FFO)	24	122	117	257	743	642	679	748
EBIT	16	54	(136)	49	485	406	462	532
Interest expense	9	22	56	77	171	171	169	189
Cash flow from operations (CFO)	14	20	159	152	627	601	612	741
Capital expenditure (capex)	48	249	575	416	520	577	671	636
Free operating cash flow (FOCF)	(34)	(229)	(416)	(265)	107	24	(58)	105
Dividends	1	4	--	--	--	--	--	--
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(35)	(233)	(416)	(265)	107	24	(58)	105
Debt (reported)	130	967	1,343	2,088	2,146	1,997	2,083	2,428
Plus: Lease liabilities debt	6	22	24	62	62	62	62	62
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid Investments	--	--	--	--	--	--	--	--

Compania General de Combustibles S.A.--Forecast summary

Plus/(less): Other¶	7	121	172	208	585	527	419	328
Debt	143	1,109	1,539	2,357	2,793	2,585	2,564	2,818
Equity	67	87	422	572	936	1,090	1,280	1,504
FOCF (adjusted for lease capex)	(35)	(232)	(421)	(308)	91	5	(79)	83
Interest expense (reported)	9	22	56	77	171	171	169	189
Capex (reported)	48	249	575	416	520	577	671	636
Cash and short-term investments (reported)	31	187	142	551	455	275	309	644
Adjusted ratios								
Debt/EBITDA (x)	3.3	6.9	5.6	5.7	2.7	2.8	2.5	2.4
FFO/debt (%)	16.9	11.0	7.6	10.9	26.6	24.8	26.5	26.5
FFO cash interest coverage (x)	4.5	7.0	3.2	4.4	5.3	4.8	5.0	5.0
EBITDA interest coverage (x)	4.9	7.3	4.9	5.3	6.0	5.4	6.2	6.1
CFO/debt (%)	9.8	1.8	10.3	6.4	22.5	23.3	23.9	26.3
FOCF/debt (%)	(24.0)	(20.7)	(27.0)	(11.2)	3.8	0.9	(2.3)	3.7
DCF/debt (%)	(24.6)	(21.0)	(27.0)	(11.2)	3.8	0.9	(2.3)	3.7
Lease capex-adjusted FOCF/debt (%)	(24.6)	(20.9)	(27.4)	(13.1)	3.2	0.2	(3.1)	2.9
Annual revenue growth (%)	102.2	254.1	109.3	25.2	33.8	(9.9)	11.7	8.7
Gross margin (%)	38.0	40.5	34.2	38.6	57.8	57.4	57.3	58.0
EBITDA margin (%)	29.6	30.8	25.0	30.2	56.1	56.3	56.7	57.9
Return on capital (%)	10.4	7.7	(8.6)	2.0	14.6	11.0	12.3	13.0
Return on total assets (%)	7.6	6.3	(7.3)	1.6	11.8	9.3	10.3	10.8
EBITDA/cash interest (x)	6.4	7.9	5.1	5.5	6.0	5.4	6.2	6.1
EBIT interest coverage (x)	1.8	2.5	(2.4)	0.6	2.8	2.4	2.7	2.8
Debt/debt and equity (%)	68.0	92.7	78.5	80.5	74.9	70.3	66.7	65.2
Debt fixed-charge coverage (x)	4.9	7.3	4.9	5.3	1.1	1.4	1.6	5.0
Debt/debt and undepreciated equity (%)	68.0	92.7	78.5	80.5	74.9	70.3	66.7	65.2

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. ARS--Argentine peso. *Includes exploration expenses and dividends received from equity investments. ¶Includes asset retirement obligations and capital investments requirements for the Aguada del Chañar development.

Liquidity

We assess CGC's liquidity as less than adequate because we expect sources of cash to uses to be above 1.2x in the next 12 months. We believe the company's ability to absorb high-impact and low-probability events is limited, given no major cash cushion or access to committed revolving credit facilities. However, the company benefits from long-standing relationships with various local banks, as seen in several syndicated loan agreements and loans obtained in the local market to refinance short-term debt. In addition, we believe the parent company can provide additional flexibility, as indicated by the recent capital contribution.

Principal liquidity sources	Principal liquidity uses
• Cash and equivalents of ARS290 billion as of June 30, 2026; and	• Principal debt maturities for about ARS323 billion as of June 30, 2026;

- FFO of about ARS700 billion in the next 12 months.
- Working capital outflows of about ARS91 billion in the next 12 months; and
- Maintenance capex of about ARS340 billion in the next 12 months, which includes capex for ACDh.

Covenants

Requirements

CGC is subject to financial covenants that limit its ability to incur new debt if its EBITDA interest coverage ratio is below 2.5x and if its net debt-to-EBITDA ratio is above 3.0x.

Compliance expectations

For the purposes of the covenants, debt is measured on a net debt basis, while EBITDA includes dividends from midstream assets. According to the 2025 senior notes indenture, covenants are calculated in U.S. dollars. We expect the company to comply with these covenants with more than 71% headroom.

Issue Ratings--Subordination Risk Analysis

Capital structure

CGC's capital structure as of June 30, 2026, mainly consisted of $1 billion in bonds, $250 million in bank loans, and $10 million in other loans. About 20% of the debt was short term, and almost all of it is denominated in--or linked to--dollars.

Analytical conclusions

We rate CGC's senior unsecured notes at the same level as the issuer credit rating because we don't believe there are material financial obligations that would rank ahead of the company's unsecured debt by way of structural or contractual subordination in a default scenario. CGC doesn't hold secured debt, nor does it hold debt at the level of the operating subsidiaries.

Rating Component Scores

Component	
Foreign currency issuer credit rating	B-/Stable/--
Local currency issuer credit rating	B-/Stable/--
Business risk	Vulnerable
Country risk	Very high risk
Industry risk	Moderately high risk
Competitive position	Vulnerable
Financial risk	Highly leveraged
Cash flow/leverage	Highly leveraged
Anchor	b-
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Less than adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	b-

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- 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: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings List

Upgraded; Outlook Action		
	To	**From**
Compania General de Combustibles S.A.		
Issuer Credit Rating	B-/Stable/--	CCC+/Positive/--

Upgraded		
	To	**From**
Compania General de Combustibles S.A.		
Senior Unsecured	B-	CCC+