

15 April 2024

CAPEX S.A.

Founded in 1988, Capex began its operations in the hydrocarbon exploration and production segment before expanding and vertically integrating all its operations. This was achieved through the construction of a combined-cycle thermal power plant and an LPG plant that separates liquid fluids from dry gas and supplies them as fuel for the thermal power plant. Subsequently, through its subsidiaries Hychico and EG WIND, the company aims to enter the renewable energy segment, including the construction of two wind energy parks alongside hydrogen and oxygen production.

In 2017, the company began a significant growth process that included expanding its hydrocarbon exploration and production business through the purchase of different hydrocarbon areas in the provinces of Neuquén, Chubut, and Río Negro. Additionally, in 2023, it started developing 4SOLAR, its first solar park with an initial capacity of 20 MW, located in the province of San Luis, which will begin operations early next year. Below are the businesses in which Capex and its subsidiaries participate:

Energy Generation and Derivatives				
Area / Bussiness	Province	% part.	Operator	Activity
Agua del Cajón Thermal Power Station	Neuquén	100%	Capex	Energy generation
Agua del Cajón LPG Plant	Neuquén	95%	Servicios Buproneu	Processing of liquid gases
Diadema I Wind Park	Chubut	85,2%	Hychico	Wind energy
Diadema II Wind Park	Chubut	99,3%	EG Wind	Wind energy
Hydrogen and oxygen production plant	Chubut	85,2%	Hychico	Renewable energy
"La Salvación" Solar Park	San Luis	99,3%	Solar	Solar energy

Oil & Gas					
Area / Bussiness	Province	% part.	Operator	Concession expiration date	Activity
Agua del Cajón	Neuquén	100%	Capex	2052	Oil & Gas exploration and production
Pampa del Castillo	Chubut	95%	Capex	2046	Oil & Gas exploration
Loma Negra	Rio Negro	37,5%	Capex	2034	Oil & Gas exploration
La Yesera	Rio Negro	37,5% (1)	Capex	2037	Oil & Gas exploration
Bella Vista Oeste	Chubut	100%	Capex	2045	Oil & Gas exploration
Parva Negra Oeste	Neuquén	90%	Capex	2027	Oil & Gas exploration
Puesto Zúñiga	Rio Negro	90%	Capex	2047	Oil & Gas exploration

Source: Cucchiara Research based on financial statements.

The company is controlled by Compañías Asociadas Petroleras (CAPSA) owner of 74.8% of the shares. The majority shareholder of Capex is the Götz family, who have a long history in the local oil industry.

Area / Bussiness	% part.	Concession expiration date	Reserves	Proven reserves			
				Total 31.01.24	Total 31.01.23	Total 31.12.21	Total 31.12.20
Agua del Cajón	100%	2052	Gas	MMm3 (1)	3.407	4.285	4.285
			Oil	Mbbl	13.995	2.585	2.585
				Mm3	2.225	894	411
Bella Vista Oeste	100%	2045	Oil	Mbbl	6.869	7.937	7.937
				Mm3	1.092	1.262	1.262
					1.929	2.189	820
Loma Negra	37,5%	2034	Oil	Mbbl	3.119	3.378	1.264
				Mm3	496	537	201
					262	212	80
La Yesera	37,50%	2037	Gas	MMm3 (1)	2.359	1.792	672
			Oil	Mbbl	375	285	107
				Mm3	0	30	71
Pampa del Castillo	95%	2046	Gas	MMm3 (1)	28.939	10.064	24.113
			Oil	Mbbl	4.601	1.600	3.834
				Mm3	1.255	630	567
Puesto Zúñiga	90%	2047	Gas	MMm3 (1)	1.295	930	836
			Oil	Mbbl	206	148	133
				Mm3	6.853	7.346	5.823
Total	100%	-	Gas	MMm3 (1)	56.576	26.696	37.407
			Oil	Mbbl	8.995	4.726	5.948
				Mm3			3.562

Source: Cucchiara Research based on financial statements.¹

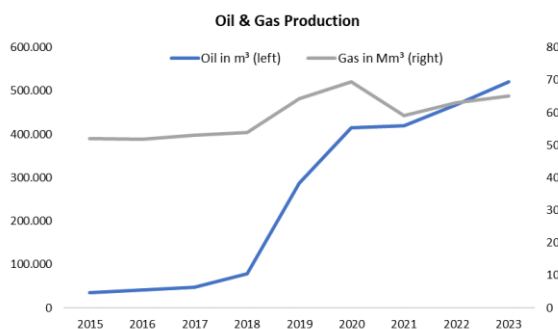
The company closes its balance sheet in April. In this summary, we will analyze the latest financial statements presented for the nine-month period ending on January 31, 2024. According to these statements, Capex has proven reserves of 8,995 Mm³ of oil and 6,853 Bm³ of gas. In this regard, crude oil reserves increased by 90% compared to the nine months of 2023, while gas reserves contracted by only 7%. Additionally, the company obtained a 20-year contract extension (until 2046) for the Pampa del Castillo fields.

¹ Expressed in 9.300 Kcal per m3

Results

We will analyze the financial statements in dollars, using the official exchange rate or the closing rate as appropriate. However, given the strong distortions of the local macroeconomy (where the strong FX depreciation occurred in the last thirty days of the period under analysis), we will mention the accounting results measured in ARS currency as they present significant differences compared to those measured in hard currency.

Capex is currently among the top 10 Oil & Gas companies in the country with a production in 2023 of 521 thousand m³ of crude oil and 650 million m³ of gas. Thus, the company's revenue profile is distributed with 67% originating from hydrocarbon exploitation (of which two-thirds are exported), and the remaining 33% of sales correspond to energy and derivatives directed to the local economy.



Source: Cucchiara Research based on Secretariat of Energy.

Currently, the company diversifies its production into the following segments:

Oil and Gas: The company produces a type of heavy oil with an extraction cost of around USD 32 per barrel and has a significant presence in the international market, exporting 66% of its production. Revenues for the 9 months of 2024

reached USD 299 million, 14% above the same period last year. However, measured in local currency, sales revenues decreased by 13%. This decrease corresponds to a 6% decrease in volume and a 7% decrease in prices. In the local market, sales fell by 9%, mainly due to a 7% decrease in volume and a 2% decrease in the average price between periods. Meanwhile, foreign sales fell by 15% due to a 21% drop in the international price of crude oil and a 5% decrease in volumes delivered.

Thermal Energy: The company uses all of its gas production for thermal energy generation, entirely dedicated to supplying the local market. Revenues generated by the operations of the ADC Thermal Power Plant reached USD 121 million, 31% more than in the same period of 2023. However, revenues from this segment measured in pesos increased by only 0.6% in the same period. In addition to this, revenues associated with the remuneration recognized by CAMMESA (company administering the wholesale electricity market) to Capex for its own gas consumed in the ADC CT decreased by 1% due to a decrease in the price of remunerated gas in pesos.

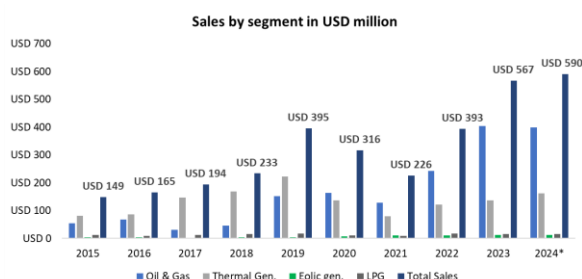
The segment benefited mainly from a higher average selling price in pesos (16.5%) recorded on the sold GW. The secretariat of energy granted increases in energy values from April 2022 until August 2023, coupled with the fact that since March 1, 2023, the committed power includes an additional payment in dollars, and part of the generated energy began to be remunerated in dollars per MWh, representing approximately 50% of energy income in this currency. On the other hand, in September 2023, the remunerated values for power and energy increased by 23%, and in October, these values were updated by 28%. Starting in February 2024,

energy prices will increase by 74% compared to the October increase.

Conversely, the segment experienced a significant 12.6% decrease in the volume of GW sold. The reasons for this reduction are, on the one hand, technical problems that forced the Combined Cycle of the ADC CT to be out of service for approximately fifteen days in October and November 2023, and, in turn, dispatch limitations in December 2023, despite the availability of the ADC CT.

Wind Energy: Revenues for the period were USD 9 million, 24% above the same period in 2023. In this segment, revenues measured in pesos contracted by 4.5% in the same comparison. This decrease was due to a decrease in the amount of GWh sold due to significant dispatch restrictions on both wind farms as a result of the commissioning of a new park in the area and existing transport capacity.

Liquefied Petroleum Gas (LPG): Accumulated revenues measured in dollars for 9M24 amounted to USD 12 million, 18% more than in 9M23. This was due to a 36% decrease in the price of Propane, offset by a 25% increase in volume. On the other hand, butane sales increased by 32% due to a higher volume sold by 16% and 13% improvements in selling prices.



Source: Cucchiara Research based on financial statements.

In summary, total sales measured in dollars for the 9 months of 2024 reached USD 443 million,

18% more than in 2023. In terms of local currency, sales contracted by 9%. Despite a significant decrease in sales costs that offset the decline, the period recorded a sharp increase in exploration expenses that impact operating margins. EBITDA for 9M24 reached USD 201 million, excluding extraordinary expenses, 4% more than in the same period of 2023, and the margin on sales level contracted by 629 basis points to 45%, in the same comparison.

Sales by segment	9M2024	9M2023	Var (%)
Oil & Gas	299	263	14%
Thermal Generation	121	93	31%
Eolic Generation	9	8	24%
LPG	12	10	18%
Hydrogen	0,4	0,4	16%
Oxygen	0,2	0,2	15%
CAPEX (USD Mill)	9M2024	9M2023	Var (%)
Revenue	443	374	18%
Operating expenses	117	86	37%
Adjusted EBITDA	201	193	4%
Operating income	97	81	19%
Net income	-146	36	-507%
Operating margin	22%	22%	187 bps
EBITDA margin	45%	52%	(629) bps

Source: Cucchiara Research based on financial statements.

Debt Profile

Capex has a total financial debt of USD 360 million. 64% of this debt is composed of two corporate bonds of which USD 41 million mature in May of this year and the remaining USD 189 million correspond to a newer bond maturing in 2028. 31% of debt corresponds to four zero coupon bonds in pesos adjusted to the exchange rate maturing in February 2026 and 2027. The remaining 5% are two bank loans with Eurobank, ICBC, and CITI maturing in 2024.

Regarding its cash, the company has cash and marketable securities totaling USD 33 million, 96% denominated in pesos, which implies an increase in its cash position by 131%. At the same

time, it has inventories worth USD 7 million after a 70% reduction in crude stock. Therefore, net debt reaches USD 320 million. Thus, considering the current levels of adjusted EBITDA and indebtedness, the company increases its net leverage to 1.3 and interest coverage to 5.3.

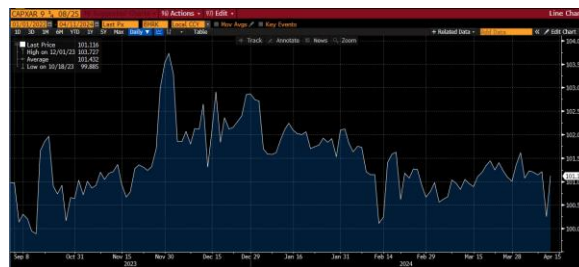
Capex (USD Mill)	9M24	9M23	Var (%)
Total debt	360	289	25%
Cash and marketable sec.	30	12	152%
Financial investments	3	3	33%
Inventory	7	24	-70%
Net debt	320	251	28%
Annualized Adj. EBITDA	245	195	26%
Leverage	1,3	1,3	1%
Annualized interest exp.	46	29	62%
Interest coverage	5,3	6,8	-22%

Source: Cucchiara Research based on financial statements.

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In July 2023, the company conducted a hard dollar bond exchange maturing in 2024 with a coupon of 6.875% in exchange for a new bond maturing in 2028, with a coupon of 9.25% and semi-annual amortizations of 12.5% starting from February 2025. The exchange achieved a participation of 82.65%, issuing a total of USD 189 million. The bond has international legislation with a parity close to 101.5/101.75%. This gives a yield to maturity close to 8.7% with a modified duration of 2.2 years.

29 Bond Description	29 Issuer Description
Pages	Issuer Information
10 Bond Info	Name CAPEX SA
10 Addtl Info	Industry Electric (BCLASS)
10 Reg/Tax	Security Information
10 Comments	Mkt Iss EURO-DOLLAR
10 Guarantors	Ctry/Reg AR
10 Bond Ratings	Rank Sr Unsecured
10 Identifiers	Currency USD
10 Exchanges	Series REGS
10 Inv Parties	Coupon 9.250000
10 Fees, Restrict	Type Fixed
10 Schedules	Cpn Freq S/A
10 Coupons	Day Cnt 30/360
10 Interest	Iss Price
10 Quick Links	Maturity 08/25/2028
10 ALLD Pricing	MAKE WHOLE @75.000 until 02/25/25/SINKABLE
10 GRD Q Recap	Iss Spd
10 TBT Trade Hist	Calc Type (77)PRO-RATA:PAR SINKS
10 CACS Corp Action	Pricing Date 07/24/2023
10 CF Filings	Interest Accrual Date 08/25/2023
10 CN Sec News	1st Settle Date 08/25/2023
10 HDS Holders	1st Coupon Date 02/25/2024
10 Bond Bond	ISS'D IN EXCHANGE OF CUSIP 139612AES/ISIN USP20058AC08.
	Identifiers
	FIGI BBG01J1G2KR4
	ISIN USP20058AE63
	ID Number Z15069524
	Bond Ratings
	S&P CCC
	Fitch B-
	Composite CCC+
	Issuance & Trading
	Aggregated Amount Issued/Out
	USD 188,801.60 (M) /
	USD 188,801.60 (M)
	Min Piece/Increment
	1.00/ 1.00
	Par Amount
	1.00
	Book Runner
	Reporting
	TRACE



Source: Bloomberg.

Perspectives

From a financial perspective, the nine months under analysis involves a significant reordering of relative prices in the Argentine economy. In this regard, the improvement in the maturity profile of its debt and the use of windows of opportunity to access the local market in domestic currency at 0% rates considerably reduces its credit cost. In addition to this, tariff adjustments, the dollarization of the base energy price, and the promising outlook for its strong investments in Vaca Muerta should allow it to normalize the increase in leverage seen in recent quarters.

Operationally, the company has several qualities that we like. We highlight its diversified production matrix, the significant expansion of its hydrocarbons reserves level, the share of exports, and the increased efficiency in exploration. For many years, the firm has been one of our favorites in the Argentine market. This idea is reflected in our local dollar-denominated fixed income fund [CYC Dólares Renta Fija](#) and the foreign fund [Renta Fija Argentina](#), where Capex 2028 is always a bond in the portfolio.

Kind regards,

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