

## TRANSPORTADORA DE GAS DEL SUR Q3 2023 EBITDA slightly lower but still stable.

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### RECENT EVENTS:

Transportadora de Gas del Sur (TGS) approved at the end of July the expansion of the Vaca Muerta Norte gas pipeline from Los Toldos I Sur to El Trapial field with a length of 32 km and a nominal diameter of 30 inches. This will contribute to the TGS gas pipeline network. In addition to that, an important milestone was reached. In accordance with the provisions of Law No. 24,076, the Company filed with ENARGAS a request to extend the term of the natural gas transportation service license agreement for an additional ten years from 2027.

### THIRD QUARTER 2022 EARNINGS CALL HIGHLIGHTS:

TGS's EBITDA was stable year-on-year in USD. The company's opex increased due to inflation and international gas prices. Liquids, the main contributor to the company's Ebitda, posted lower results year-on-year due to decreased exported volumes, lower propane and butane global prices, and increased natural gas prices.

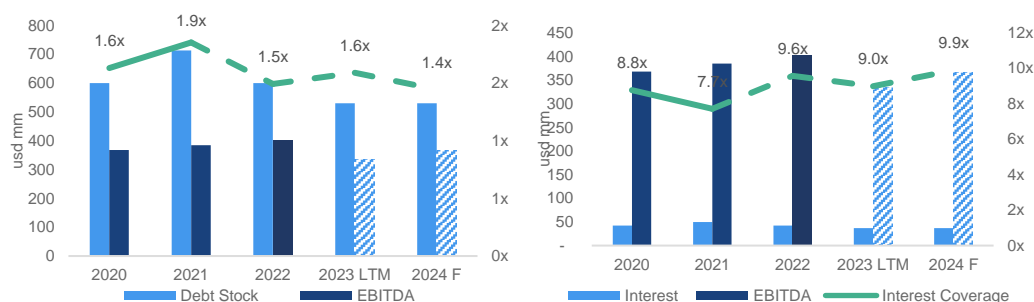
The company has made significant progress in improving its infrastructure. It will take some time to take advantage of TGS's new total capacity, but the good news is that future revenues will be mainly dollar denominated.

### CREDIT METRICS Historical and projected credits metrics

The company should have an excellent repayment capacity, considering that the debt-to-EBITDA (ltm) ratio is 1.6x, and the company generates ~USD 333 mm (at the official fx). Furthermore, the 9x interest coverage ratio should reduce the uncertainty of coupon payments.

Although macroeconomic conditions have been difficult considering the 2023 electoral period, the company has shown resiliency and Argentine business managing knowledge to get through similar experiences. We expect the company to keep driving the macroeconomic imbalances. As regards TRAGAS 25s notes, they rank as senior unsecured and a standard covenants package.

Since Pampa Energia owns 51% percent of the company, there's a firm commitment from shareholders to keep the company up and running and a strong relationship with its creditors.



### OUR RECOMMENDATION

We recommend being overweight TRAGAS 25s as it trades at ~USD 92.75 mid-price with a yield of ~12%. We believe the bond can return to an average yield of ~10%. TRAGAS 25s appears to be unfairly priced, considering the company's stable cash flow and the fact that it has no significant capital expenditure and a debt payment remaining.

\*All ratios are based on financial data published by the company while estimations are based on Adcap estimates