8th October 2024

Capex S.A.

Founded in 1988, Capex began its operations in the exploration and production segment of hydrocarbons before expanding and vertically integrating all its operations through the construction of a combined cycle thermal power plant and a liquefied petroleum gas (LPG) plant that separates liquid fluids from the dry gas supplied as fuel for the Thermal Power Plant. Then, through its subsidiaries Hychico and EG WIND, the Group aims to strongly insert itself into the renewable energy segment, including the construction of two wind power parks and hydrogen and oxygen production.

In 2017, the company initiated a significant growth process that included the expansion of its hydrocarbon exploration and production business by purchasing various hydrocarbon areas in the provinces of Neuquén, Chubut, and Río Negro. Additionally, in 2023, it began developing 4SOLAR, its first solar park with an initial capacity of 20 MW, located in the province of San Luis, which is set to start operations in early 2025. Below, we detail the businesses in which Capex and its subsidiaries are involved:

Power Generation & Derivatives Processing				
Area / Bussiness	Province	% part.	Operator	Activity
Agua del Cajón CC Thermal Power Plant	Neuquén	100%	CAPEX	Thermal generation
Agua del Cajón Liquefied Petroleum Gas (LPG) Plant	Neuquén	95%	Servicios Buproneu	LPG Plant
Diadema I Eolic Park	Chubut	85,2%	Hychico	Eolic Energy
Diadema II Eolic Park	Chubut	99,3%	EG Wind	Eolic Energy
Oxygen & Hydrogen 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 Maturity	Activity
Agua del Cajón	Neuquén	100%	Capex	2052	Exploration & Exploitation Oil & Gas
Pampa del Castillo	Chubut	95%	Capex	2046	Exploration Oil & Gas
Loma Negra	Rio Negro	37,5%	Capex	2034	Exploration Oil & Gas
La Yesera	Rio Negro	37,5% (1)	Capex	2037	Exploration Oil & Gas
Bella Vista Oeste	Chubut	100%	Capex	2045	Exploration Oil & Gas
Puesto Zúñiga	Rio Negro	90%	Capex	2047	Exploration Oil & Gas

Source: Sekoia Research based on financial statements.

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

Area / Bussiness	% part.	Concession Maturity	Reserves		Proven Reserves	
					Total 30.04.24	Total 30.04.23
Agua del Cajón	100%	2052	Gas	MMm3 (1)	3.372	3.407
			Oil	Mbbl	22.842	13.995
				Mm3	3.632	2.225
Bella Vista Oeste	100%	2045	Oil	Mbbl	8.087	6.869
				Mm3	1.286	1.092
Loma Negra	37,5%	2034	Gas	MMm3 (1)	1.564	1.929
			Oil	Mbbl	3.395	3.119
				Mm3	540	496
La Yesera	37,50%	2037	Gas	MMm3 (1)	228	262
			Oil	Mbbl	2.389	2.359
				Mm3	380	375
Pampa del Castillo	95%	2046	Gas	MMm3 (1)	0	0
			Oil	Mbbl	25.716	28.939
				Mm3	4.086	4.601
Puesto Zúñiga	90%	2047	Gas	MMm3 (1)	902	1.255
			Oil	Mbbl	1.233	1.295
				Mm3	196	206
Total	**100%**	-	**Gas**	**MMm3 (1)**	**6.066**	**6.853**
			Oil	**Mbbl**	**63.662**	**56.576**
				Mm3	**10.120**	**8.995**

Source: Sekoia Research based on financial statements.

The financial year for the company ends on April. Thus, we will analyze the latest financial statements for the first quarter ending July 31, 2024 (1Q25). According to these financial statements, Capex has proven reserves of 10,120 thousand m^3 of oil and 6,066 billion m^3 of gas. Crude oil reserves increased by 13% since April 2024 and by 90% compared to 2023. In contrast, gas reserves decreased by 11% and 7%, respectively.

Since 87% of the company's income is denominated in dollars, we will analyze the financial statements in this currency, using the official exchange rate. At the end of the latest statements in April 2024, the company's income profile was distributed as follows: 79% came from hydrocarbon exploitation (of which two-thirds are exported) and the remaining 21% from energy and its derivatives, mainly directed to the local market.

Results by segment

Oil and Gas: The company produces a type of heavy oil with an extraction cost of around USD 28 per barrel, but with strong penetration in the international market, exporting 65% of its production. The sector's revenues for the first quarter (1Q25) reached USD 44 million, a decrease of 30% YoY and a decrease of 53% compared to 1Q23. This is entirely due to a decline in production because of extraordinary snowfall that forced the evacuation of personnel, affecting operations in the Pampa del Castillo and Bella Vista Oeste fields. Thus, export income came with a -43.5% YoY variation, and local market income had an impact of -10.9%.

Thermal Energy: The company supplies the local market with thermal generation using its own gas production. Revenues generated by the ADC Thermal Power Plant in 1Q25 remained stable at USD 30 million. The segment benefited mainly from higher selling prices but was offset by lower volume. Since March 2023, the Energy Secretariat has been periodically granting a series of increases in generation and capacity remuneration. These dollar revenues represented approximately 47.8% and 51.6% of energy income in 1Q25 and 1Q24, respectively.

Gas production from the Neuquén basin decreased by 2.5%. Gas production from the Puesto Zuñiga area compensated for the decrease in production from the ADC and Loma Negra areas as of July 31, 2024. No gas sales to third parties were recorded in either period. The total gas produced in the fields operated by Capex was injected into the ADC CT.

Wind Energy: Revenues in 1Q25 were USD 1.5 million, a decrease of -24% compared to 1Q24. This decrease was also due to storms that affected the Comodoro Rivadavia Gulf area where the company's two parks are located.

Liquefied Petroleum Gas (LPG): Revenues reached USD 2.9 million, a 29% increase YoY as a result of an 87% increase in butane export sales and a 9.3% increase in the amount of gas processed at the LPG plant due to increased production from the Agua del Cajón field.

Sales by segment	1Q25	1Q24	Var (%)	1Q23	Var (%)
Oil & Gas	44	63	-30%	93	-53%
Thermal Generation	30	27	8%	27	12%
Eolic Generation	1,5	1,9	-24%	2,1	-31%
LPG	2,9	2,2	29%	2,7	5%
Hydrogen	0,04	0,08	-56%	0,10	-62%
Oxygen	0,02	0,04	-45%	0,04	-42%
Ventas Totales	**78**	**94**	**-17%**	**124**	**-37%**

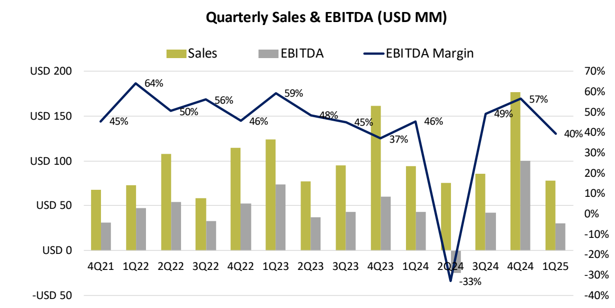
Source: Sekoia Research based on financial statements.

Results

In 2024, after completing the first exploration, development, and production period of four years with an approximate investment of USD 19 million, the company decided not to continue with the second period, terminating the contract in the Parva Negra Oeste area in the province of Neuquén, resulting in an exceptional impact of a USD 51 million loss on the income statement. Additionally, due to measures implemented by the new national government, the company received AE38 public securities as compensation for the energy delivered in the past December and January periods, which generated an impairment charge of USD 7 million.

In summary, total sales measured in dollars for the last twelve months reached USD 362 million, a decline of 4% YoY. Nevertheless, due to the aforementioned factors, the adjusted EBITDA expanded by 30% to USD 142 million (excluding exceptional results), and the sales margin grew by 1,037 basis points to 39%.

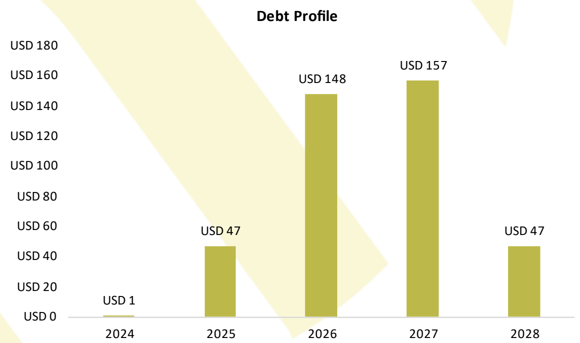
Capex SA - LTM					
USD Mill	1Q25	1Q24	Var (%)	1Q23	Var (%)
Sales	362	378	-4%	365	-1%
Adj. EBITDA	142	109	30%	196	-27%
Net Income	-28	61	-146%	68	-141%
EBITDA Margin	39%	29%	1037 bps	54%	(1431) bps



Source: Sekoia Research based on financial statements.

Debt Profile

CAPEX reported total financial debt of USD 402 million, a 43% YoY increase. This is because the company has issued three new exchange rate-adjusted local currency bonds totaling USD 123 million with a 0% coupon, and a hard dollar bond for USD 47 million with a 5.95% rate to meet the USD 41 million residual from its 2024 bond, exchanged in 2023 as detailed in our summary last April (see). Thus, its debt is composed of 59% by two hard dollar bonds and 41% by dollar-linked bonds.



Source: Sekoia Research based on financial statements.

In terms of cash, the company has available cash and financial assets of USD 16 million, with 92% denominated in pesos. If we consider the increase in inventory levels to USD 11 million, its liquidity position increases by 49%. Therefore, net debt reached USD 375 million, which, at the current EBITDA level, increases the company's net leverage to 2.6x and the interest coverage remains at 7.0x.

Capex (USD Mill)	1Q25	1Q24	Var (%)	1Q23	Var (%)
Total Debt	402	282	43%	242	66%
Cash & Equivalents	9	13	-29%	9	4%
Marketable Securities	7	1	965%	53	-88%
Inventories	11	4	179%	22	-53%
Net debt	375	264	42%	157	138%
LTM Adj. EBITDA	142	109	30%	215	-34%
Net debt/EBITDA	2,6	2,4	0,2	0,7	1,9
Annualized interest	20	21	-2%	27	-24%
Interest coverage	7,0	5,3	1,7	8,1	-6,4

Source: Sekoia Research based on financial statements.

CAPEX 2028 9.25%

The largest volume is in its hard dollar bond maturing in 2028. The issuance was for USD 189 million, pays a coupon of 9.25%, and has semiannual amortizations of 12.5% starting February 2025. The bond has international legislation and currently trades at a clean price close to 104%. This leaves a yield to maturity close to 8.02% with a modified duration of 1.9 years.

Source: Bloomberg.

Perspectives

From a financial perspective, the improvement in the maturity profile of its hard dollar bond and the notable exploitation of opportunities to access the local market for financing in domestic currency at 0% rates significantly reduces its debt cost. Additionally, the tariff readjustment, the dollarization of base energy, and the positive outlook for its strong investments in Vaca Muerta should allow it to normalize the production imbalances and the increase in leverage in recent quarters.

Operationally, the company has several qualities that we appreciate. We highlight its diversified production matrix, the significant expansion of its reserves, the share of exports and its greater efficiency in exploration. For many years, the company has been one of our favorites in the Argentine market.

Kind regards,

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