MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms TGI's rating; changes outlook to stable

29 Jan 2025

New York, January 29, 2025 -- Moody's Ratings (Moody's) affirmed the Baa3 foreign currency senior unsecured rating assigned to Transportadora de Gas Internacional ("TGI" or "Issuer"). We also affirmed TGI's baseline credit assessment ("BCA") of baa3. The outlook changed to stable from negative.

RATINGS RATIONALE

The rating affirmation reflects the recent regulatory developments in Colombia and the successful execution of a leverage reduction strategy that reduced risks of deterioration in the company's future credit profile and its refinancing risks. Importantly, TGI estimates that tariffs in the second half of 2025 will start to recognize the additional costs related to a foreign currency hedge obtained for the US dollar denominated bond, to offset a previous regulatory decision to change natural gas transport remuneration to Colombian Pesos from US dollars. In addition, the expected tariff resolution by the regulator CREG will consider that the value of certain assets that reach the "normative useful life" through 2028 will be based on opportunity cost, instead of a zero value according to a previous modification issued by the CREG.

TGI's stable rating outlook reflects our expectation that the financial metrics and liquidity will remain adequate in the next 12-18 months on the back of the recent regulatory changes and TGI's prudent financial management.

The regulatory modifications approved during 2024 materially mitigate the previous regulations implemented in June 2023. As a result, our revised projections for TGI, show an improvement to the key financial metrics against previous expectations. We now expect the projected cash interest coverage to bottom in 2024 considering the hedge cost but will approach 3.5x in 2025 and remain consistently above 4.0x thereafter, which is commensurate with a Baa score under our Natural Gas Pipelines methodology. At the same time, we project FFO/debt to remain consistently above 25%, in the A-range under our methodology.

The outlook change to stable stems from our expectation that TGI's recurring cash

generation supports a partial repayment of its debt maturities comprised as of December 2024, by a COP 870.5 billion loan due in 2027 and a USD 548 million bond due in 2028, without limitation on the company's ability to prudently refinance the remaining balance.

TGI's Baa3 senior unsecured rating reflects the application of our Joint Default Analysis (JDA) framework for government-related issuers, which considers the following input factors: a BCA of baa3 as a measure of TGI's standalone creditworthiness; the Baa2 ratings of Bogota, Distrito Capital (Colombia) as TGI's support provider; our estimate of moderate implied government support in the case of financial distress; and a low default dependence between TGI and Bogota. These assumptions take into consideration the company's links with Bogota, Distrito Capital (Colombia), which indirectly owns 65.7% of TGI through the ownership of Grupo Energia Bogota S.A. E.S.P.(GEB, Baa2 negative) and the track record of high dividend distributions. These assumptions also reflect the strategic and essential nature of the services provided by TGI, the high level of government control and the strategic influence in the direction of the company. We also recognize the close linkages with GEB, the parent company, which is closely involved in the operational and management decisions at TGI.

The BCA of baa3 assigned to TGI reflects the company's large scale and entrenched business profile, with high capacity-based revenue that is regulated and subject to contractual tariff caps. Our credit assessment acknowledges the presence of re-contracting risk gradually increasing in 2025, given the company's relatively low weighted average life of the gas transport contracts. This is partially explained by shifts in market dynamics due to lower gas availability in the country. Our base case scenario considers the company's commercial strategy that entails re-contracting firm capacity at minimum on the structural demand level, which is about 24% lower than its currently contracted volumes. Our base case also considers a 5% haircut to revenue in order to assess the company's resilience to a downside scenario of lower demand or tariffs.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The ratings could be upgraded if the company records cash interest coverage ratios above 4.5x and FFO/debt above 25% on projected and sustained basis, and our assessment that government interference or regulatory changes are immaterial to the company's credit profile. A rating upgrade would also require a gradual expansion of TGI's financial flexibility ahead of major debt maturities reducing refinancing risk, such as maintaining contract life maturities that provide medium term visibility around cash flow generation or improving its cash retention.

TGI's ratings could face downward pressure if the company records cash interest coverage ratios remain below 4.0x or FFO/debt below 15% due to underperformance, additional leverage or regulatory decisions that have a material negative impact. The

ratings could also be downgraded upon perception of weaker financial policy, such as delays to refinance or not building up its cash position ahead its major debt maturities

The methodologies used in these ratings were Natural Gas Pipelines published in April 2024 and available at https://ratings.moodys.com/rmc-documents/420000 , and Government-Related Issuers methodology published in January 2024 and available at https://ratings.moodys.com/rmc-documents/406502 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

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