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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the IEnova's First Quarter Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Miguel Osio. Thank you. Please go ahead, sir.

Miguel Osio *Infraestructura Energética Nova, S.A.B. de C.V. - Director of M&A and IR*

Good morning. Thank you for joining us. Today, we will be discussing IEnova's first quarter 2020 financial results. A live webcast of this teleconference and slide presentation is available on our website in the Investor Relations section. In the presentation, you will find our disclosure statement.

The forward-looking statements contained in this presentation speak only as of today, April 23, 2020, and the company does not assume any obligation to update or revise any of these forward-looking statements in the future. With us today on the call are several members of our management team. Tania Ortíz, Chief Executive Officer; Carlos Ruiz, Chairman; Nelly Molina, Chief Financial Officer; and Roberto Rubio, Vice President and Controller.

Please turn to Page 3 of the presentation provided on our website. Then I will turn the call over to Tania.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Good morning, everyone, and thank you for taking the time to join us in this quarterly call.

Before we get into the first quarter performance, we want to start by recognizing that we are facing an unprecedented time.

Please turn to Page 4.

I hope you and your families are safe and well. And we send our support to all of those that have been impacted by the pandemic. For everyone at IEnova, the safety and well-being of our employees is absolutely our #1 priority. Personally, it is my #1 priority.



IEnova was one of the very first companies in Mexico to implement protocols to protect our employees. Those employees that can work from home have been doing so since March 13, and those who need to be on-site are following very strict protocols to protect their health.

We have taken the necessary actions to ensure the continuity of safe and reliable operations because our infrastructure is essential for Mexico. Even though we are facing unprecedented time, IEnova was able to deliver first quarter results of US\$251 million, up 10% from the same quarter in 2019.

As the current situation of COVID continues to evolve, we are closely monitoring our daily operations and construction activities.

As it may be expected, we are starting to identify potential delays in our projects under development and under construction.

We are experiencing permitting delays since most government offices have been closed for several weeks now. Global supply chains have been interrupted, resulting in delays for the supply of equipment, and construction teams have also limited their activities. Therefore, we are evaluating how CapEx deployment may vary for the remainder of the year and how the project schedule evolves.

Our assets provide essential services to our customers and are key to the continuity of their businesses. The core of IEnova's resilient business model remains the same, take-or-pay long-term contracts in U.S. dollars. We have a diverse and solid customer base with very important Mexican and global companies who we understand may face some difficult times during this crisis. We are ready to provide support as needed.

Now I would like to talk about our ECA liquefaction project.

During this first quarter, we selected TechnipFMC as an EPC contractor for the construction of the liquefaction project. We continue making good progress to secure the sale and purchase agreements with our customers. Regarding the export permit, we are working closely with the Mexican government. Once we obtain it, we will be able to reach a final investment decision. The investment for the liquefaction project will be approximately US\$1.9 billion at 100% basis. We continue developing the project under a joint venture with Sempra. Once we reach a final investment decision, we will inform on the definitive ownership structure, funding and other relevant details.

In addition, a new pipeline of approximately US\$400 million in the Mexican side of the border will be developed and owned by IEnova. And, in my opinion, the most relevant item of this new project is that we will be able to extend the existing asset life. The existing storage infrastructure will remain fully owned by IEnova.

Now Nelly will describe some of the actions that we have taken under this contingency period.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V.* - CFO

Thank you, Tania. Good morning, everyone.

I hope all of you are safe and most of you at home.

As Tania mentioned, the essential nature of the energy sector and our resilient business model have allowed us to obtain predictable and solid results during these difficult times. Please turn to Page 5 to review the financial results.

In the first quarter of 2020, adjusted EBITDA was US\$251 million, up 10% from US\$229 million in 2019. The increase was mainly due to the start of operations of the Marine Pipeline; higher operational results at Ventika and higher transportation rates, partially offset for the revenue deferment of the Guaymas-El Oro pipeline; lower operational results at TDM power plant; and a one-time distribution rates true-up at Ecogas Chihuahua in 2019.

I would like to make a reminder that starting this quarter, we are reporting under our new 3 operating segments: gas, storage and power.

Now I would like to talk about liquidity and financial position.

Please go to Page 6.

We have a strong level of liquidity as we have taken decisive actions to strengthen our financial position to ensure the continuity of our operations and commitments for the year. As of the end of the first quarter, we had US\$565 million in cash, plus another US\$456 million available in our committed credit lines. Our total consolidated debt at the end of the first quarter was approximately US\$4 billion. And the increase in debt is mostly associated to some of the draws we made to the revolver lines. This explains the increase in our cash position.

We remain focused in delevering the company, replacing existing debt, extending our debt maturity, maintaining or lowering our cost of debt and further improving our liquidity, always prioritizing our healthy financial discipline.

Some of transactions that we announced during March are part of our plan to increase liquidity. Those transactions are 2 credit facilities with 15-year tenures.

One of the loans is to DFC, which is the U.S. International Development Finance Corporation, for US\$241 million. It is their largest energy investment under the 2x Women's initially.

And the second loan is with the Japan International Cooperation Agency for US\$100 million, which is their first private sector financing in Mexico since 2012.

Both of these loans are part of the financing package we closed with IFC and Nadbank past in November 2019. These continues to demonstrate the trust and confidence that financial institutions have placed in IEnova.

As you have been seeing in recent days, all of the major rating agencies have taken downgrade actions in Mexico's, Pemex's and CFE's ratings. These downgrades triggered adjustments to the IEnova ratings as well:

With Fitch, our new rating is BBB flat with a stable outlook, which is one notch above Mexico's new rating at BBB-.

This week, Moody's downgraded Mexico and IEnova, and we are one notch below the Sovereign. We are now rated Baa2.

It is very important to highlight that these rating actions do not have an impact in our balance sheet as our existing long-term debt has fixed interest rates. And the portion of our debt with variable interest does not have any changes in the margin. Those are the same regardless of our ratings. Our objective is to maintain investment-grade and continue working very closely with our rating agencies.

Now I will provide a base for the projects we have under construction.

Please go to Page 7.

Due to the COVID-19 situation, we have implemented very strict protocols to secure the health and safety of our employees and our contractors. As Tania mentioned, we might see some potential delays in projects due to the construction activities being restricted as well as potential delays in equipment deliveries from our suppliers. As we evaluate our CapEx deployment due to these potential delays, it is reasonable to expect that some construction CapEx will be deferred from 2020 to 2021.

Let me provide you with the most recent update in specific projects.

In the Don Diego Solar, we continue working with CFE to complete the interconnection.

In the Gulf-Center storage terminals, the first phase of the Veracruz facility is now in commissioning. And in Puebla, we have begun transloading activities in advance of the starting of commissioning phase. We received our first railcar load last month.

The other construction projects are progressing as permits are obtained and as equipment and services are supplied.

Under these unprecedented times, we are proactively working with our Board of Directors to manage the effect of the COVID-19 pandemic, through crisis planning, effective and fluid communication and trying to anticipate anything that can cause an impact in our operations and financial results.

As of today, the COVID-19 pandemic has not had a material impact on our results of operations. However, for the year, we cannot predict the extent to which the pandemic may impact our liquidity, financial condition, results of operations and the construction projects but we will keep you informed of this as this continues to develop. Now I will turn the call back to Tania, and please go to Page 8.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you, Nelly. Like I mentioned earlier, our services are critical to provide essential, safe and reliable energy to Mexico. We were able to deliver solid financial results in spite of the worldwide economic downturn, and we are proactively taking the required measures to ensure our business' continuity. We will continue to actively monitor the current situation, and we will keep you informed of any upcoming development.

Very importantly, I would like to highlight that IEnova has reinforced our support to our communities through the Fundación IEnova, providing food and health services to vulnerable groups.

Finally, I want to thank all of our employees throughout Mexico, those who are working at the plant site and those that are working from home, for your extraordinary efforts. With that, I'll open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from the line of Nikolaj Lippmann from Morgan Stanley.

Nikolaj Lippmann *Morgan Stanley, Research Division - Equity Analyst*

Good morning and thank you for taking my question, thanks for the call. I really only have a question on asset allocation. If you can provide a little bit of a color of any kind of opportunities you see sort of coming from this crisis? Any areas that you're focusing on in particular in terms of consolidation, electricity, storage, gas distribution?

And also thinking about asset allocation, how -- if you can give any color on how you're thinking about the Termoeléctrica asset in the long run?

And finally, on the storage front, from where I'm sitting, there's a lot of movement on both sides of the border. There's a growing regulatory requirement for storage in Mexico for the private sector. It would seem that, that opportunity is -- from an organic perspective, it's just growing significantly. If you could comment on that as well, please.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you for your question, Nikolaj. This is Tania. Good morning. Of course, I mean for the short term, our priority, our focus again is on the safety of our employees and the continuity of our operations. However, on the development front, the fundamentals of our growth strategy still stands. Mexico continues to require significant infrastructure, and we will be there to solve and to provide those -- to develop that infrastructure.

I do believe that we may see some consolidation opportunities. It's a little early to tell but we are very closely watching out for such opportunities where stronger companies such as IEnova may be able to react quickly.

And finally, regarding your question on storage, I mean, that is correct. In the past weeks, we've seen an increasing need for hydrocarbon storage in general and we find products in particular. And I think that simply strengthens the long-term fundamentals for the need of hydrocarbon infrastructure in Mexico. So again, the fundamentals for our growth story, I think, are still very solid.

Nikolaj Lippmann *Morgan Stanley, Research Division - Equity Analyst*

Ok, thank you very much.

Operator

Our next question comes from the line of Álvaro García from BTG.

Álvaro García *Banco BTG Pactual S.A., Research Division - Research Analyst*

Hi Tania and Nelly. Hope your families are safe and well. My question is on your view of the impact of lower energy prices sort of taking a longer-term view on IEnova. We've obviously seen a steep decline in some of the stock prices in some of your peers in the U.S. and midstream peers. And I think that has a lot to do with how exposed their specific client base is to lower energy prices. So I was wondering if you could first comment on how your client base, and your transportation assets specifically, is different than some of these U.S. players, and then comment perhaps more generally on how you see lower natural gas prices impacting the value of your midstream assets over the long term. Thank you.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you Alvaro, good morning. Well, as you are aware, we have very limited or basically no commodity exposure, right? So our assets and the pricing of our assets and our rates are not linked in any way to the prices of the commodities. But in any case, I believe that lower gas prices will simply, in the midterm and long term, increase the demand for natural gas in Mexico and very likely increase the usage of our assets.

So I believe that Mexico being a net importer of gas, a net importer of refined products overall, there's a benefit to the economy of lower energy prices, which also means that there may be an increased need for infrastructure and increased use of our existing infrastructure.

Álvaro García *Banco BTG Pactual S.A., Research Division - Research Analyst*

That's clear, thank you. And just one quick follow-up on -- we spoke a little bit about this last conference call, on potential changes to transmission pricing for some of your clients in the renewable space. We haven't seen much news on that front. Since then, I was wondering if you had any specific updates or if you've heard anything from specific clients regarding potential changes from CFE on that transmission prices. Thank you.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

No. There was -- several months ago, yes, there was news in the papers, and we heard about certain proposals that CFE had made to the Energy Regulatory Commission wanting to review transmission rates. There hasn't been much public information then.

And to be honest, everything that has to do with government and regulators, like I mentioned, has really slowed down. Both government, CFE are focusing on critical activities. So as far as I'm aware, there hasn't been substantial movement on that front. We are, however, monitoring it very closely because although it would not affect IEnova, it could obviously affect our customers. So IEnova does not take on the risk of the transmission costs. But as it affects the entire value chain of our customers, we need to be mindful.

Álvaro García *Banco BTG Pactual S.A., Research Division - Research Analyst*

Great, that's very helpful. Thank you very much.

Operator

Our next question comes from the line of Christian Audi from Santander.

Christian Audi Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals

Thank you, hello Tania, Nelly and team. I have 3 questions. The first one, Tania, on the topic of counterparty risk. Have you up to now have had to engage your off-takers, be it government off-takers or private off-takers, with your renewables and liquid storage projects in conversations regarding a potential postponement of payments in their contracts, delay of payments or anything like that?

In other words, as they find themselves in a more challenging financial position, reaching out to you for help or understanding so you could figure something out. Has that been happening as of yet or not? The second, Nelly, it was just going back to the -- your continued hard work on that initiative to potentially move the Marine Pipeline debt out of your balance sheet. How has this corona situation and overall market pressure change that plan, if at all? Or do you still feel confident that you could bring that to closure sometime in the third quarter?

And then lastly, going back to the ECA project, Tania, how have the discussions been with your potential counterparties, Total, Tokyo and Mitsui on the back of all these changes? Do they remain engaged, interest? Or do we have the risk of them wanting a bit more time before finalizing the project? And similarly, on the permit front, what's your view there given that, as you said, we've seen a continued slowdown by overall government in what they have to do?

So any color on those 3 would be very helpful, please. Thank you,

Tania Ortíz Mena López Negrete Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director

Thank you, Christian. Good morning. Thank you for your questions. First, regarding the counterparty risk, we have made, I believe, a successful effort to diversify our customer base and our asset base in the last few years. So today, I mean, a little less than 50% of our revenues come from government entities, and the other 50% is well diversified with private counterparties, both Mexican industrial and large international oil companies.

So regarding our government counterparties, they have been meeting their payment obligations and we have not received any signals of wanting to change the payment terms of our contracts. Regarding our private off-takers, we have a wide diversity of private off-takers. And we have heard from several customers, mainly Mexican industrials, some formally, some informally, that they may be facing challenges in terms of their own industrial production. So we are going to be sitting down with them to understand what exactly their concerns are and how we can help them go through this difficult period.

That being said, the services that we provide are critical for our customers. So they do -- I mean, they will continue to require our services, and we will work with them so that they can get through this difficult time.

Before I turn the call over to Nelly, let me talk about ECA or...

Carlos Ruiz Sacristán Infraestructura Energética Nova, S.A.B. de C.V. - Chairman of the Board of Directors & Executive Chairman

Let me answer that one, Tania.

Tania Ortíz Mena López Negrete Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director

Of course, Carlos. Good morning.

Carlos Ruiz Sacristán Infraestructura Energética Nova, S.A.B. de C.V. - Chairman of the Board of Directors & Executive Chairman

Good morning to you all. In this moment, the thing that we need to do is to keep relationship with our client. We have to pass this crisis together and understand everybody's needs -- I think that, as Tania said, the services we provide are essential for them. Second, on ECA, we continue to have a very close discussion with our clients. I think that they are totally engaged in this. And what we need to do soon is to sign the SPAs with them and get the permit. So with our clients, there has not been any delays. The permit, as you know, the government is not working so there will be a delay on the permit, but we continue to have conversation with the government for this. And I hope as soon as they open back we can get our permit.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you very much, Carlos. Nelly, do you want to answer the question around the Marine Pipeline, of potential financing?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

Sure. Good morning Christian. Yes, we continue working on the different alternatives to finance the Marine Pipeline, for instance, and as we have discussed in the past, we are looking for a structure -- financing structure that can be taken off-balance sheet and does not impact our JV with TC [Energy] (added by company after the call), we can see. And we're making progress. We have engaged our financial advisers to help us identify that structure.

And I have not perceived that any of the market pressure right now have changed our view on trying to find these different or creative structure for the Marine Pipeline.

Christian Audi *Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals*

And then do you think it's still viable to think that, that could be done in the third quarter of this year?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

We are planning that, and that's our objective, Christian.

Christian Audi *Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals*

Got it. And Carlos, then Tania, just going back to ECA for a second, are you still shooting for a potential FID for ECA during the second quarter as well?

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Yes, Christian. That is correct. Our target is still second Q.

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Chairman of the Board of Directors & Executive Chairman*

Yes. Yes, we are, we are targeting. The only thing that is not under our control is the permit and how long the government will be back, but yes, we are targeting for the second quarter.

Christian Audi *Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals*

Ok Thank you.

Operator

Our next question comes from the line of Jeremy Tonet from JPMorgan.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

Hi, good morning. Just want to start off with 2020 guidance here, EBITDA guidance. Not sure if I missed it, but is there any more thoughts you could provide with regards to where you see COVID-19 or the current environment impacting your different segments? And which part -- which segment specifically could be at risk versus EBITDA guidance in this environment?

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Good morning Jeremy. As we saw traditionally done, all of our contracts are take-or-pay. So our revenue stream is very stable, but I would allow Nelly to provide a little bit more color around that.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

Yes. Jeremy, at this time and as you can see, this first quarter came in line with our expectations, not an impact from COVID-19. But for the rest of the year, we really need to continue evaluating the situation. As Tania mentioned, we have seen some of our customers in the renewables front to potentially have some financial temporary problem, and we're trying to work with them. At this time, we cannot determine if there will be any impact to our financial results or any impact to our guidance provided for this year.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

okay. So maybe understanding, it's not really a matter of volumetric or utilization, but really kind of counterparty concerns and trying to see how all that evolves over time? Is that the way to think about it?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

That is correct, yes.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Jeremy, that is correct. And in addition, because we do have some projects that are expected to go into operation soon, if we see some delays in finalizing construction and getting those assets up and running, you may also see that reflected in the EBITDA guidance. But again, it's very early to tell and our contract structure should allow us to maintain a stable outlook.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

Are you able to share with us for the counterparty -- your counterparty there, kind of what the breakout is, investment-grade versus non investment-grade or who has letters of credit, just trying to better get a feel for what that risk look like?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

The outside with our customers we consider very good even though we have seen these downgrades recently for Mexico and some of the corps here. This -- if we average the rating or the credit for our customers, I would say it's between BBB and BBB+.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

I'm sorry if I missed that. What percentage of the portfolio is BBB, BBB+?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

It is -- the majority of the portfolio will be BBB.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

That's very helpful. Thank you for that. And just want to touch on -- with Don Diego, I'm not sure if I missed it here, but it doesn't look like it's dispatched electricity yet. Just wondering what was the timeline there. Is there any obstacles to that starting in -- yes, just curious on that one.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Jeremy, we've had some minor delays in the final interconnection processes with CFE. It's more a matter of coordination and getting people on-site and doing final testing. It's no major construction work. It's simply coordinating between 2 teams where one of the team has been the CFE team, of course, been under a difficult emergency situation for many weeks now.

So it's simply a matter of, I mean, coordinating and testing.

Jeremy Bryan Tonet *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. That's helpful, thank you very much.

Operator

Our next question comes from the line of Alejandro Chavelas from Crédit Suisse.



Vanessa Quiroga *Crédit Suisse AG, Research Division - Head of Mexico Equity Research & Co-Head of the Housing & Infrastructure in LatAm excluding Brazil*

Thank you. This is Vanessa Quiroga. Hi Tania, Nelly and Carlos. My question is regarding the opportunities with the E&P companies working on the fields that were granted for the oil rounds. Have you seen any progress in working with them to develop storage and gathering and processing infrastructure for them? Thank you very much.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you, Vanessa. Thank you for joining the call. We have been very actively speaking with a number of E&P companies that will begin production in a few years to develop infrastructure, mainly storage solutions for them. We do see a lot of interest. But as always, we are cautious about disclosing any new projects until we have very clear visibility of customer structure, etcetera. And again, for the short term, our priority is to ensure the operation of our existing assets and to complete construction of the projects that are targeted to begin operation this year. And of course, Energia Costa Azul. But we will let you know once we've made sufficient progress to be able to share those projects with you.

Vanessa Quiroga *Crédit Suisse AG, Research Division - Head of Mexico Equity Research & Co-Head of the Housing & Infrastructure in LatAm excluding Brazil*

That's very clear, Tania. And just a clarification with Nelly about the potential refinancing or financing structure for IMG for the Marine Pipeline. Would you expect to finalize -- to get some transactions done during the third quarter this year ago? Thank you Nelly.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

Vanessa, it's difficult to say now which specific quarter, but I do expect to find these creative structure and be able to close this year.

Vanessa Quiroga *Crédit Suisse AG, Research Division - Head of Mexico Equity Research & Co-Head of the Housing & Infrastructure in LatAm excluding Brazil*

Ok, thank you very much.

Operator

Our next question comes from the line of Frank McGann from Bank of America.

Frank J. McGann *BofA Merrill Lynch, Research Division - MD*

Okay, thank you. Just to follow-up a little bit on Christian's question about the payments by customers. Obviously, it's fairly clear that so far you've had no real big issues, although you mentioned some of your renewable customers have indicated some issues.

But clearly, given the increase in financing that you've been able to achieve in order to give yourself good liquidity, that has to be a concern.

So I was just wondering, perhaps you could remind us, say, back in 2008, what types of delays perhaps we saw when -- in any projects at that point in time, if you can remember. I know the business has changed a lot since then but -- in terms of payments by key customers?

And then secondly, gas production in the U.S. is expected to decline as a result of the sharp decline expected in shale oil production. Clearly, that's not going to be a near-term issue for gas supplies to Mexico. But I was just wondering what your thoughts are around any potential risk to gas supply coming from the U.S. And if that were to happen, say over the next 2 to 3 years, and what, if any, the potential credit effects could be for the company?

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you, Frank. Regarding your question around customers and payments, I mean, we've seen sporadically on certain occasions both -- I mean Pemex and CFE, sometimes -- I mean, delayed payments for a few weeks. They will always call us, tell us that they may be running a bit late, but then they get up to speed. So I would say, again -- I mean, we've never had a situation where we've had a, let's call it, a major delay in receiving payment from our customers, both government and private. But again, as Carlos mentioned, we want to work together with customers to get to this difficult time. So to the extent that they require our support, we'll work with them on a

case-by-case basis.

But in the past, we've never had a major delay in collecting payments.

Regarding the decline in gas production, it's especially -- I mean, very early to tell but I believe Mexico is the natural market for U.S. gas due to its geographical location. I mean we're the most competitive market where U.S. gas can arise. So I assume that it would be one of the very last markets to be affected by a decline in gas production. But again, I think we're all watching to understand how the gas production situation is evolving both in the U.S. and, I mean, in the mid- and long-term in Mexico.

Of course, I mean, our contracts, as you know, are take-or-pay, so we do not have, I mean, any usage risks but of course we do want our customers to have access to the product.

Frank J. McGann *BofA Merrill Lynch, Research Division - MD*

Ok, great. Thank you very much, very helpful.

Operator

Our next question comes from the line of Andres Cardona from Citi.

Andres Felipe Cardona Gómez *Citigroup Inc, Research Division - Research Analyst*

Hi, good morning everybody. I apologize if my questions were asked, but I have troubles with my -- to connect to the conference call. My first question is, given how credit metrics for Mexico have recently changed, have you considered to revise your return target from the 9% to 11% level? The second question is, is there any update about Guaymas-El Oro process and if you do have better visibility about when it can generate revenues again? Thank you.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Good morning Andres, thank you for joining the call. Regarding our rates of return, again, I mean, the situation is evolving very rapidly. We're going through a very uncertain times. So my opinion is that it is early to make any decision as to whether we should change our rates of return. Again, our focus right now is on safety, execution and maintaining operations. But again, we need to watch closely as the situation evolves.

Regarding Guaymas-El Oro, we have been working very, very closely with Gobernacion, with the Ministry of Interior. We're meeting or speaking with them every single week. CFE is also involved in those discussions. But as you may imagine, for the last several weeks, those discussions have been completely interrupted by the situation. The Yaqui community has isolated itself to protect itself from the pandemic. So for the last several weeks, the conversations have been disrupted. Again, we will let you know as the situation evolves.

Andres Felipe Cardona Gómez *Citigroup Inc, Research Division - Research Analyst*

Thank you Tania.

Operator

(Operator Instructions) Our next question comes from the line of Luis Yañez from Compass.

Luis Yañez *Compass*

Hi Nelly and Tania. Just to follow-up on the counterparty question. Could you give a little bit more granularity how diversified your private part is, the number of clients, what the average percentage of each client that represents on your revenues? And perhaps what percentage of clients are engaging you or you think will engage you in conversations to think about potential payment deferrals? And whether -- if you're willing to entertain that, whether that will be mainly just payment deferrals or would you consider some sort of rent holidays? That would be my first question.

And then the second question is, given where the pressure the stock price has had over the past few weeks, I was wondering where do buybacks enter into the equation or whether at this point preserving liquidity, it's more important, therefore, buybacks will be postponed for a later day?

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you, Luis. Regarding our customer base, it's a little bit under 50% is government, the other 50% is private. The government portion is less than 10% Pemex and the other part is split between CFE and CENAGAS. So even the government portion is certainly diversified.

Regarding our private customers, we've -- it's divided between major international oil companies, including Shell and Gazprom and some Mexican industrials such as Cemex and Sempra. It's a small majority -- I'm sorry, a small number of customers that have requested our support in finding alternatives. And again, we will work in a case-by-case basis. My initial thought is that it's very likely more a matter of financing more than anything else. But our IR team can provide a list of all of our offtakers for your review.

And I mean, is your second question had to do with our stock buyback program?

Luis Yañez *Compass*

Yes. Whether at this point, you just think it's more likely that you will preserve liquidity or whether you could be engaging in buybacks at this moment?

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Yes, it's -- I would say -- I mean, we've very selectively executed our buyback program in the past. It continues to be available to us. And it's a tool that we may use, but right now we don't have any inclination or any clear intimation to go down that road. But it is available to us in the case we believe it would be an important investment opportunity for IEnova. Nelly, do you want to add anything?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

No, you're correct, Tania. You said everything, but as you know, we've been having these buyback programs for the last 2 years, and it is up to \$250 million. And as Tania said, it is just to make -- to help us sustain the stock price in different times where the market has drawn down the price significantly. And we plan to continue looking using it that way, but if there is a need to buy a big portion of the stock that may be available. But it will depend, of course, as you said, the liquidity position and in our commitments to fund projects.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

And if I would amplify, during this time liquidity is obviously a priority for us, like Nelly mentioned.

Luis Yañez *Compass*

Thank you Tania and Nelly.

Operator

Our next question comes from the line of Joe Kogan from Scotiabank.

Joseph Kogan *Scotiabank Global Banking and Markets, Research Division - Head of Latin American Strategy, Head of EM Strategy, EM Sovereign Strategist & Director*

Hello. I know you've answered a lot of questions about counterparty risk already, but I wanted to ask a few specific things given that -- I know the rating agencies have been writing about counterparty risk. The first is, to what extent do your take-or-pay contracts have force majeure clauses and what would be the impact of those clauses if someone were to use them? I know in many cases, in other countries, counterparties have started providing legal notices that a force majeure has occurred. Can you say to what extent, if any, that has occurred with any of your contracts?

And the second question is it sounds like this has never happened before but what are the penalties or kind of responses you would have if a government-related entity started to delay payments? Are there large interests or penalties that are applicable? Are you actually allowed to cut off the gas in certain cases? What might that look like?



Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Good morning Joe, thank you for your question. Let me begin first with your second question, government risk or government counterparty risk. In our contracts, and obviously, each contract is a little bit different, but in our contracts, if one of our counterparties does not pay, at first we do get to collect interest. And second, after a certain time period, we can stop providing services.

Again, we hope not to find ourselves in that situation. We will work with our customers and not to fall into that situation, but it is provided in the contracts, both with private off-takers and with government, and it is allowed under the regulation. So we do have that type of protection. I hope not to be able to trigger such a decision.

With regards to the force majeure provisions in our contracts, again, each contract is a little bit different. In essence, the only obligation that our customers have is to pay for the service, right. So that is essentially the force majeure that they could claim that they cannot typically pay for the service that they're receiving.

Now today, we're facing very unusual circumstances, so we may find that one of our customers claiming that because their facilities are simply not operating. They are, for example, unable to pay for services. But we're evaluating that on a case-by-case basis. But in essence, the other obligations that our customers have is to pay their bill. So that's where they would trigger that force majeure provision.

Again, we're going to work with them to find ways so that we can continue with that commercial relationship.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

I think, Joe, it's worth mentioning that our services, for instance the gas pipeline, have been classified as an essential services for the electricity industry in Mexico. That strengthened our ability to continue collecting revenues from the government.

Joseph Kogan *Scotiabank Global Banking and Markets, Research Division - Head of Latin American Strategy, Head of EM Strategy, EM Sovereign Strategist & Director*

Alright, thank you very much.

Operator

Our next question comes from the line of Peter Bowley from Bank of America.

Peter John Bowley *BofA Merrill Lynch, Research Division - VP*

Thank you, good morning and thank you for taking my question. I just wanted to ask quickly on the SMBC credit facility. I believe the maturity date has been extended from 2020 to 2024, but it looks like it may still be classified as short term.

Could you please clarify the reason for this classification? Thank you.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

You're referring to the syndicated revolver line?

Peter John Bowley *BofA Merrill Lynch, Research Division - VP*

Yes.

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

Yes, it is. Yes, must be matured in 2024, but because of the treatment and repayments that we -- frequent repayments that we did during the year, it is classified in the short-term in the -- liabilities in the short term. So that's the only reason, but it's really -- the maturity is in 2024.

Peter John Bowley *BofA Merrill Lynch, Research Division - VP*

Thank you.

Operator

Our next question comes from the line of Christian Audi from Santander.

Christian Audi *Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals*

Thank you. Just a quick few follow-ups. Carlos and Tania, going back to ECA and the permit, is it correct to understand that this is merely a lack of government personnel being there to be able to process this permit versus the government, given the significant pressure that they're under, trying to rethink the project or trying to time its announcement with the announcement of that package of energy projects? So is this more a procedural issue rather than a big, big picture? Does the government like the project or not?

And then the other follow-up, Nelly, it was just on -- if Pemex gets the third downgrade into junk, again, what's the impact for you? Is it merely the potentially higher debt costs down the line?

And then lastly, Nelly, when you touched on the construction of projects, everything seems to be moving forward. But my question is, are you concerned that as the, if you will, lockdown persists, that we may see further delays on the construction of these existing projects that you're working on? Thank you.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Thank you, Christian. Well, regarding the ECA project, this would be the first liquefaction project in Mexico. We have been working since the past administration, in fact, to understand what type of regulatory framework would apply, what kind of technical standards would apply. So there has been a lot of work with government and regulators to really explain the project and explain the benefits of the project.

And it is the same case for the export permit. This would be the first time that Mexico grants a long-term natural gas export permits. So there is a lot of work with the government in getting to understand the project, the dynamic of the market, etcetera, etcetera. But overall, this is a project that's very beneficial for Mexico not only because of the size of the investment but because of the jobs that it creates, because of the economic benefits that it will create to the region.

And I believe the administration is aware of that, but there is a lengthy evaluation taking place. Again, this would be the first of its kind. And as Carlos mentioned, we are seeing disruptions obviously because of the current situation. Nelly, do you want to take the second question?

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Chairman of the Board of Directors & Executive Chairman*

Let me add a little bit to what Tania said. Yes, it has taken time to really explain what this project means because this is just proof that we're going to get gas from the United States. But it's very clear the benefits that Mexico will get not only in employment, in construction, taxes that we are going pay, and eventually the gas that could be used for the baja California peninsula. So that has taken a little bit of time to do it. And I think that the authority very well understood and we are just waiting for the authorities to just come back again and get the permit.

Tania Ortíz Mena López Negrete *Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director*

Nelly, do you want to take the question on Pemex?

Manuela Molina Peralta *Infraestructura Energética Nova, S.A.B. de C.V. - CFO*

Yes. Christian, regarding the Pemex downgrade. Pemex right now represents less than 10% of our total revenues. And even though we have received some downgrades associated with government entities in Mexico, we haven't had any impact so far because, as I said, our debt, the long-term debt that we have on our balance sheet have fixed interest rates.

And for the variable interest portion, we don't have any effect and we don't have any covenants that are triggered due to these downgrades. But eventually, and I'm not sure if -- yet if a potential increasing in the cost of debt will be happening, but we get to see this evolving market as we go.

Then on the construction front, we have 5 projects out of the 9 that were going to operations this -- or were scheduled to go into operation this year. They're the 3 terminals in the Gulf-Center are very close to reach COD, commercial operations and Don Diego Solar as well. And the other project is Border Solar for schedule for the second half of 2020.

If we see further restrictions in those sites, we may reflect further delays. But it's too early to say. For now, as Tania mentioned, we are focused on executing those that are very close to commercial operations.

Christian Audi Santander Investment Securities Inc., Research Division - Head of Latin America Equity Research, Agribusiness & Oil, Gas and Petrochemicals

Thank you Carlos, Tania and Nelly.

Operator

Our next question comes from the line of Alejandro Chavelas from Crédit Suisse.

Alejandro Chavelas Crédit Suisse AG, Research Division - Research Analyst

Hi, thanks for taking my question. Just a quick question regarding what we have been discussing of off-taker risk or -- yes, off-taker risk. Could you quantify what percentage of your clients or right other revenues have requested these kinds of relief measures for their contracts? Can you provide a figure? Or is it less than, I don't know, 5% of total revenues, less than 10%?

Tania Ortíz Mena López Negrete Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director

Good morning Alejandro. First, it is a very small percentage. And second, we -- they are -- these customers have not made any very specific requests. They're simply informing us that they are going through a difficult situation, that their industries are going through difficult situations so that they would like to sit down with us and have a discussion.

But there is not a specific request for relief. So we will let you know when we have more clarity.

Alejandro Chavelas Crédit Suisse AG, Research Division - Research Analyst

And thinking about this, do you believe rent -- do you believe there would be relief in form of perhaps postpone of payments or discounts? Or is it early to tell on that front as well?

Tania Ortíz Mena López Negrete Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director

It's very early to tell. Like I said, the services that we provide to our customers are critical for their own industrial processes or for the services that they provide. So I'm sure that we can reach a reasonable agreement. Again, it's a small number of customers, and we're going to work with them to get through this difficult time because we know that the services that we provide are essential to their own industry. But we'll let you know, obviously, as the situation evolves.

Alejandro Chavelas Crédit Suisse AG, Research Division - Research Analyst

Thank you very much.

Operator

At this time, there is no more Q&A. I would like to turn the call back over to Tania Ortíz Mena, CEO, for closing remarks.

Tania Ortíz Mena López Negrete Infraestructura Energética Nova, S.A.B. de C.V. - CEO & Director

Thank you, everyone, for joining today's call. We will be permanently monitoring the situation and taking actions and informing you as a contingency evolve. Please stay safe. And as always, if you have any questions, please reach out to our IR team. Have a good day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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