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Q2 2020 Infraestructura Energetica Nova SAB de CV Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Second Quarter 2020 Infraestructura Energética Nova Conference Call. (Operator Instructions) And please be advised that today's conference is being recorded.

Now it's my pleasure to turn the conference over to your speaker, Miguel Osio. Please go ahead.

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

Good morning. Thank you for joining us. Today, we will be discussing IEnova's second 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, July 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; René Buentello, General Counsel; and Roberto Rubio, Vice President and Controller.

Please turn to Page 3 of the presentation provided on our website, and I will turn the call over to Carlos.

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Thank you, Miguel. Good morning, everyone, and thank you for joining us on our call. I hope that you and your families are safe and well.

Let me start by saying that in these difficult times, IEnova remains committed to Mexico's development as we have been for the past 23 years.

As you know, our priority is the health and well-being of our employees as we continue to focus on the continuity of our operations and support the communities where we operate. Since mid-March, the majority of our employees have been working from home and will continue to do so as long as needed. Those that are required to stay on site will continue to follow very strict protocols to protect their health. We will ensure the continuity of safe and reliable operations of our assets as this infrastructure is essential for Mexico.

Please now turn to Page 4.

At IEnova, we are committed to the well-being of our communities. I'm proud to share with you that we have contributed so far with over MXN 60 million to address the coronavirus outbreak through several initiatives. We have focused our resources on providing over 250



ventilators, protection equipment for health personnel at COVID hospitals in 18 states and also basic food packages. In total, we have benefited 81 communities in 21 states, reaching all the locations in which we operate. We will remain active in supporting those who need us for the most.

Now I will pass the call over to Tania.

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

Thank you, Carlos. Good morning to everyone, and thank you for joining us today. I hope everyone continues to be well and safe.

As we continue to face uncertain times, my #1 priority continues to be the safety and well-being of our employees. With the evolution of the COVID situation, we have been monitoring our operations and construction activities and, as expected, we have experienced some delays in our projects under development or construction. Therefore, we have adjusted our CapEx program for the year. Nelly will provide a little bit more color around this later in the call.

I'm glad to announce that due to the continuity of our operations, the resiliency of our business model, and very importantly, the commitment of our employees, we achieved solid financial results this quarter. And we remain on track to reach the lower end of our adjusted EBITDA guidance for the year.

However, it is important to keep in mind that we are still facing difficult and uncertain times ahead. This is why our Board has decided that it would be prudent to postpone the dividend decision until our next Board meeting in October.

Moving into other topics, I would like to talk about some recent developments.

First, I would like to discuss the latest achievements at our ECA liquefaction project. During the second quarter, we executed with Total and Mitsui, the sale and purchase agreement for the capacity of the project first phase. This is a very important milestone and was one of the pending items required to be able to reach a final investment decision. The other pending item is, of course, obtaining the Mexican gas export permit. We continue to work very closely with the government and hope to receive it soon.

Now let me talk about the recent changes on the renewables regulatory framework.

Throughout the quarter, the Mexican government presented certain initiatives to modify the existing regulatory framework for renewable energy that may adversely affect some of our projects. We evaluated the proper legal actions, and we have implemented a solid legal strategy to protect our interest as well as the interest of our stakeholders. We will continue evaluating the legal action as the situation continues to evolve. Today, our projects are operating normally, and we continue to make progress on the projects under construction.

Finally, I would like to mention that we signed a new extension agreement with CFE for an additional 4 months for our Guaymas-El Oro pipeline. The discussions with the Yaqui community and the Ministry of Energy slowed down due to COVID, and we hope that they can resume soon.

Now I would like to pass the call over to Nelly to talk in more detail about our solid financial results of the quarter and construction update.

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

Thank you, Tania, and good morning to everyone. The essential nature of the energy sector and our resilient business model have allowed us to obtain predictable and solid results during these uncertain times. As Tania mentioned, we expect to reach the lower end of our adjusted EBITDA guidance range. This is important news considering the COVID situation and the impacts due to the total delays in projects that were scheduled to commence operations during this first half of the year.

Please turn to Page 5 to review the financial results.

In the second quarter 2020, adjusted EBITDA was \$250 million, up 11% from \$225 million in 2019. The increase was mainly due to the start of operations of the marine pipeline and higher transportation rates, partially offset by the revenue deferment at the Guaymas-El Oro pipeline and lower operational results at TDM and Ventika.

Our liquidity remains strong for the second quarter with \$500 million in cash and another \$656 million available in our revolver lines.

During June, we closed a 15-year loan with the U.S. International Development Finance Corporation for \$241 million. With that, our total loan facility accounts now for \$541 million, including the IFC, NADBANK and JICA loans. This transaction enhances IEnova's liquidity, improves our debt maturity profile and keeps our competitive cost of debt.

Because energy is essential and critical for the country, we have been able to continue our operations without any interruption. However, the projects under construction have experienced some delays, mainly due to COVID.

Please turn to Page 6, where we have our projects in construction.

As we mentioned in our last call, at that moment, it was too early to identify the impacts. And now even under the current difficult times we are facing, 5 of our 9 projects will be commencing operations this year. Let me provide more color on those projects.

In the Gulf-Center storage terminals, we continue to make progress. These facilities will begin operations during the second half of 2020.

At the Veracruz terminal, we expect to receive the first shipment in September. The Mexico City terminal is now in precommissioning activities, and we're expecting to start operations of this terminal and Puebla during the fourth quarter.

Don Diego Solar is now interconnected and we are energizing the facility and beginning testing activities.

For our Border Solar project, we expect to start operations late this year or early in 2021.

We have the projects commencing operations late next year, Topolobampo storage terminal and the expansion of our Energía Sierra Juárez wind facility.

The adjustments in the construction schedules for those projects were due to the restrictions and safety protocols implemented at the construction sites, delays in materials and equipment deliveries and significant delays in government approvals. Additionally, for the other 2 projects in construction, we are in process to define new commercial operation dates, given the different circumstances at each of the states where our projects are located as well as COVID-related restrictions to continue construction as scheduled.

Our CapEx guidance for this year was \$815 million. And after the adjustments on some of the construction scheduled, we will defer \$200 million to 2021. For the remainder of the year, albeit the uncertainty ahead, we remain focused on making progress on executing our projects, meeting our financial goals and improving our balance sheet.

With that, I will turn the call back to Tania, and please turn to Page 7.

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

Thank you, Nelly. I am very proud of the IEnova team as we continue delivering solid results despite the challenges we are facing in Mexico and globally. Our priority remains the health and safety of our employees, the continuity of our operations, the disciplined execution of our projects and strengthening our balance sheet. I am confident that we will continue delivering solid results.

As you know, sustainability is well rooted in our overall corporate strategy as we constantly strive to advance and improve our ESG performance. I am very pleased with our social and environmental accomplishments, which position us as part of the recently created Mexican Stock Exchange ESG Index, as well as our ESG strategic goals portrayed in our 2019 sustainability report, which was published last month. IEnova remains fully committed to Mexico development as we strive to contribute to the country's economic recovery.

With that, I'll open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Nikolaj Lippmann with Morgan Stanley.

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

Thank you very much, thanks for taking my question. On projects, and of course, the obvious question, the status on ECA. You are -- if you can share your level of optimism with regards to aiming FID in 2020? And if I could also just address your -- the Don Diego Solar project and how you feel in general on -- in terms on sort of the regulatory certainty in that space?

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Well, let me start by answering the first question in relation to ECA. As Tania just mentioned, we're working very close with the government for -- to obtain the permit that we are still missing, and we are quite confident that we're going to get it. So this is very, very important for us, and we are really optimistic about it. Nelly, can you comment on the rest?

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

Thank you, Carlos. Sorry, this is Tania. Good morning Nikolaj, and thank you for joining the call. Nikolaj, regarding Don Diego, obviously, we have seen delays in the projects that have to do with certain circumstances. Of course, the COVID situation, which has played serious restrictions, on -- particularly on physical operations on site in the project, which has caused delays throughout our portfolio. But also the new regulations, they also have, I would say, interfered or made it a little bit more and more difficult to go into interconnections and testing. That being said, the plant is interconnected to the CFE grid. It's being energized, and we're going to be testing in the next few weeks. We've also launched, what I believe, is a very effective legal strategy where we have obtained injunctions against these new regulations. So it is a difficult environment, but we are moving ahead. We're making progress. And as always, we have a very good working relationship with both CFE and CENACE, which have allowed us, again, to continue to make progress.

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

Thanks Tania. Just so we have a confusing sort of legal situation, and then the second quarter around the CFE and your renewable project, Don Diego, is actually now interconnected. You're ready to push forward with that, the only issue is more sort of COVID-related rather than related to regulation? Is that correct?

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

Well, I mean, we still need to do some testing with CFE. But because we've obtained injunctions, we should be able to proceed with the testing. So if we see any delays, it will have more to do with availability of personnel, which has been affected, unfortunately, by COVID, yes.

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

Congratulations on that. And a different question, I don't want to monopolize anything here, but we saw you did some buybacks during the quarter. Can you talk about to what degree you're going to be canceling those shares? And maybe share your thoughts with regard to buybacks for the rest of the year?

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

Nelly, can you answer that?

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

Sure. Nikolaj, good morning, yes, we've been buying back shares. You've seen our recently approved stock repurchase program, which is up to \$500 million. As of today, we have bought more than 7.6 million shares. And we have seen a lot of volatility in the market. And at



the current prices we are trading, we see it as a good investment and so an opportunity to support our stock. We will, in the future, evaluate when the prices, again, are stable if we cancel or reissue to purchase shares. At this time, we don't have any decision on that. But we plan to continue using it if the opportunity to support our stock is there.

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

Ok, thank you very much.

Operator

And our next question is from Charlie Barber with JPMorgan.

Charles W Barber *JPMorgan Chase & Co, Research Division - Analyst*

Good morning, thanks for taking my call. I wanted to just quickly follow-up on the buyback questions there. More specifically, I wanted to get a sense if your mentality has shifted or changed maybe to -- relative to last year, just thinking about kind of where the stock trades today and thinking about project visibility? And specifically to 2020, certainly, some of the project spend, I imagine, is going to be pushed into '21, potentially freeing up some cash flow to be used for potential buybacks. So I guess the question really is, has your mentality changed relative to, say, a year ago?

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

No. Not really, Charlie. What we're doing is really taking the opportunity of the price levels that we're trading at this time. And we're continue buying small packages. And we really like the way we've been using the program. And -- but in reality, we can combine these programs, buying back more shares, together with the funding of the current projects that we have in construction and then the visibility we have for next year for the remaining projects that need to start operations in the future.

Charles W Barber *JPMorgan Chase & Co, Research Division - Analyst*

Okay. And then apologies if I missed it in the prepared remarks, did you give a new CapEx figure for 2020 relative to the \$815 million that you had put out historically?

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

Yes, we will push out to 2021, \$200 million from the \$815 million published for our guidance this year.

Charles W Barber *JPMorgan Chase & Co, Research Division - Analyst*

Okay. And then expectations around leverage, any changes there?

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

We are running different initiatives to not only improve our liquidity and extend our debt maturity, but to delever the company, and we're working actively in some of them. Yes, we -- by the end of the year, we want to go back to close to 3.5X net debt-to-EBITDA levels.

Charles W Barber *JPMorgan Chase & Co, Research Division - Analyst*

Great, thank you.

Operator

And our next question is from Frank McGann with Bank of America.

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

Ok, thank you very much. I just wanted to ask about the projects that you now have made to be determined, the Manzanillo and Baja Refinados projects. You mentioned some issues in -- it could be different between those 2 projects due to the states where they are located. I was just wondering if you could go into a little bit more details on that. And just how you're feeling as well as perhaps your JV partner, Trafigura, in terms of just putting substantially more capital into that business in -- currently in the current environment, given the regulatory issues that you and others have had over the last year, 1.5 years? One could clearly understand why a company or a group of companies might want to take a more cautious view. So I was just wondering if you could perhaps -- I'm going to the -- more specifically into the reasons for those delays.

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

Frank, good morning, thank you for your questions. Yes, we are moving the schedule for both Baja Refinados and Manzanillo. In Baja, we still have several federal permits pending. And particularly in the COVID situation, the government is shut down. And I would say there is uncertainty on the timing around those permits. So we'd rather just keep the commercial operation base open. In Manzanillo, it has more to do with local issues and municipal permits. But that facility has obtained all of the federal permits. That being said, all of our customers as well as our partners, Trafigura, in the case of Manzanillo, we've been in very close contact with all of them, and they remain fully committed and very interested in these facilities reaching commercial operation. It certainly is a difficult environment in Mexico. We have to be disciplined as always and evaluate the risk of each project, of course. In this space, in particular, I think we already captured some very important positions. We've built a large portfolio. And I think -- I mean growth going forward, I agree with what you're saying, will depend, of course, on the appetite of the market, with the economic slowdown and the -- let's call it, on the overall regulatory environment in Mexico. So as always, we'll be careful, we'll be disciplined and push those projects through the finish line.

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

Ok, thank you very much

Operator

Our next question is from Vanessa Quiroga with Crédit Suisse.

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

Hello, good morning to all the IEnova team, thanks for the call. My question is regarding next steps for getting that permit -- export permit from the Mexican government from the energy industry for ECA. Exactly in -- what's the status regarding getting the permit? What else can be done to have more visibility in terms of timing? Thank you.

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Tania, go ahead.

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

Hola Vanesa, Buenos días. Well, as you know, this permit will be the first of its kind in Mexico. The Ministry of Energy has put a lot of time behind this evaluating the merits for obtaining the permit. I think we've met, we've answered all of their questions, met all of their requirements. But also keep in mind that the government is formally closed for many permitting processes. So we are at a -- in a situation where things did slow down substantially. But again, we have a very positive and open communication with the administration. We continue to move forward, and I can tell you that there have not been any major issues raised that we should not be able to address.

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

(Operator Instructions) Our next question is from Christian Audi with Santander.

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

Thank you. Hello Carlos, Tania and Nelly. I wanted to go back to ECA for a second. Very helpful your comments, Tania. Are you comfortable in targeting the third quarter or the second half of the year, the timing for getting the permit? Or the situation is so fluid and uncertain, as you mentioned, because of the government shutdown that it is even difficult to target whether the permit would come out in the third quarter or the second half of the year? The other question related to leverage. Nelly, can you provide us with a more specific update on your important initiative related to the marine pipeline debt? Again, do you foresee given how things are going, that, that could be done in the third quarter or the second half or has that become more a 2021 event? And if you're unable to successfully do that, are there any specific other initiatives that would enable your net debt-to-EBITDA to fall more significantly, please? Thank you.



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

Good morning Christian, thank you. I would say, I feel fairly confident in the progress that we're making regarding the ECA permit. That being said, the situation in Mexico is difficult with COVID. As you are aware, we are behind the U.S. and Europe in the contagion curve. So the situation in Mexico, it's still very, very uncertain. Not sure when the government will fully resume activities normally. But again, we are having very constructive conversations, so I'm fairly confident. Nelly, do you want to address the questions around financing?

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

Sure. Hello Christian, good morning. Yes, we've been actively working on -- with a financial adviser, we engage for the study of the several structures that could work for the marine pipeline with our partners, either at a project level or outside the joint venture. And at this moment, we don't have the full information, but we will provide it when the time is appropriate to share details in the second part of the year. When these structures can be executed? Well, it will depend on our final decision on the type of the structure, but we continue actively working towards completing the financing as soon as possible, Christian.

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

Okay. And just a follow-up. In your prepared remarks, you mentioned about the impact COVID has had in the delays in the construction of projects. Can you talk a little bit about any impact that the financial condition of some of your customers are having, some of them difficult conditions. If that has impacted your ability to get paid for your contracts, collect on monthly dues. Have you seen anything significant in that respect related to you getting paid by your existing customers?

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

Thank you, Christian. We have a fairly -- or I would say, a very diversified customer base, so all of our customers are very different and have different conditions. We have continued to receive payments from the government companies, CFE, Pemex and CENAGAS, which account for about 50% of our customer base, and as well as our industrial customers on the renewable assets. So everyone has continued to meet the contractual obligations. We just have had conversations with some of our Mexican industrial customers, where we know that in this difficult economic times, their companies are also suffering impacts, and if required, we will work for them to find reasonable solutions. But so far, all of our customers have continued to meet their payment obligations. We're very close to them and want to make sure that they continue to do well in their long term.

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 Andres Cardona with Citigroup.

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

Hi morning to everyone. I have a couple of questions. The first ones has to do with the changes in transmission tariffs. And first question is if you have any sensibility (technical difficulty) potentially affected? And if you have (technical difficulty) that any of them cannot be dispatched by economic (technical difficulty) At some point, you have to get the income(technical difficulty) talking about potentially (technical difficulty). The second question has to do with the LNG project. And it is -- the big picture on the first half show you have any (technical difficulty) of big -- some partners have had this approach. You have mentioned in the past that this would be a possibility. And the last is, there are some storage facilities (technical difficulty) particularly that have been built in partnership with U.S. or some clients, and they have any optionality to acquire any equity interest. Have they expressed any appetite to exert that option?

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

Good morning Andres. I think your communication was a little bit disruptive, but I think I got all of your questions. The first one had to do with the increase in transmission rates, correct? The contracts that we have with our customers, the transmission fees fall under the responsibility of our customers. We don't have risk for transmission rates. It's a pass-through, if you can call it that. However, again, we have long-term contracts. We want our customers to do well in the long term, so part of our mitigation strategy also involves looking at

the changes in transmission. But contractually, we are very, very well covered. I think your third question had to do with potential partnerships at our refined products terminals. All customers do have certain options to enter into those projects. After commercial operations, so far, none of them have executed other options. Keep in mind that our first facilities are just beginning operations later this year. So we'll let you know if that happens. And I'm not sure I completely understood your second question.

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Neither do I. We really didn't hear you.

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

So hopefully, the sound is better now. It's -- the question is if the potentially -- the off-takers of the LNG project has showed any interest about gaining equity in the project?

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Let me see if I understood the question. If the LNG off-takers at ECA captured interest on the equity. Is that correct?

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

Yes. To become partners of the project, Carlos.

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Yes, yes, yes. Yes. As a matter of fact, yes, especially one of the partners, yes. They have.

Andres Felipe Cardona: Ok, thank you very much.

Operator

Our next question comes from Joe Kogan with Scotiabank.

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

Hello and thank you for the conference call. I wanted to ask a few questions about the power sector. First, I noticed in the results report that you published that there was some weakness in EBITDA from one of your plants. So I was wondering if you could provide some details on that. Then kind of more broadly, I was wondering what the outlook for the power sector was in the medium term. I don't remember what percentage of that is contracted, but how much of a demand decrease are you seeing? How much of a drop in spot prices are you seeing? And then on some of the regulatory issues, I was wondering how you're seeing some of the attacks on the solar industry resolving themselves? I mean it seems that there were lots of injunctions issued, but the administration is still not backing down. So how do you see a resolution to this? Specifically, have there been any attempts in negotiation with the administration like we saw in the pipeline cases a year ago?

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

Good morning. Let me address first your question with regards to the performance on the power sector. The impacts on performance that you saw have to do first with Termoeléctrica de Mexicali, which sells into the spot market. The market in California was a little bit weak. Demand was a little bit weak. Last year, Termoeléctrica had an outstanding year. So this year, Termoeléctrica's performance was a little bit softer. And then we also have some less positive results from Ventika, mainly having to do with wind. Now going forward, our assets are fully contracted. So the impact of merchant prices on our assets, aside from Termoeléctrica de Mexicali, again, which sells all of its power into the California market, the rest of the assets are fully contracted, long-term fixed price. So very little, no exposure to merchant prices.

Now with regards to how the situation around renewable gets resolved, I think, honestly, it's going to be a long discussion. I believe the government and President López Obrador had said so. He said he's open to discuss. I know that the different industry organizations have had meetings with the government to discuss our situation and try to open communication channel, but honestly, I think this is going to take some time to resolve. And meanwhile, we do have to continue down the legal front, where, again, we have been successful with the results that we have obtained so far.

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 is from Pablo Monsivais with Barclays.

Pablo Monsivais Mendoza *Barclays Bank PLC, Research Division - Assistant VP & Lead Research Analyst*

Hi, good morning, thanks for taking my question. I know that you usually don't talk about dividends a lot or your dividend policy. But having in mind that projects in Mexico in the medium-term might not be as you initially expected, can we expect your dividend policy to be more aggressive? In other words, can we expect you to pay more dividend in, I don't know, 2 years from now, 3 years from now, setting aside the CapEx needs from ECA? Thank you.

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

Nelly, do you want to take that question?

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

Yes. Thank you. Well, Pablo, we don't necessarily have a dividend policy. We don't have it in writing, but yes, we've been paying dividends in the past for the -- more than 7 years continually. And -- but due to the current situation, we really want to have more clarity on where things are heading. And right now, it is prudent to postpone the decision on dividends to our next quarter, as Tania mentioned, in October. And while we continue working to improve our balance sheet and placing the 5 projects in operations this year. We don't necessarily expect a significant increase, as I said. It is a decision that is taken at our Board every year in July.

Pablo Monsivais Mendoza *Barclays Bank PLC, Research Division - Assistant VP & Lead Research Analyst*

Ok, thank you.

Operator

Our next question is from Christian Audi with Santander.

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

Thank you. Just quick -- 2 quick follow-ups. Carlos, given that we have the chance to have you on the call and you had the LNG operations also for Sempra. We saw some recent changes to the Board members. It had -- should we read anything into those changes as it relates to Sempra's and IEnova's focus on LNG. That was the first follow-up. And then the second, going back to the dividend policy, Nelly or Tania. When you think about uses of cash, you have these CapEx projects, you have dividends and you have the buybacks, Nelly, that you touched on earlier. Can you just talk to us a little bit given this COVID environment of uncertainty? How do you see the priority among these uses between CapEx, dividend and buyback shares?

Carlos Ruiz Sacristán *Infraestructura Energética Nova, S.A.B. de C.V. - Executive Chairman*

Let me comment you a little bit about the board. There are definitely some changes, and this is the result, I would say, of two things first. There were some executives from Sempra that left the company and were in our Board. So there was the need to substitute them. So that's one, the main reason. And second, which I think is very important, there is some policy of rotations. So not only the executives can benefit from being on IEnova, but also the Board of IEnova can benefit of having different type of expertise. So that is the only reasons for those changes.

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

Great, thanks.

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

The dividend, your second question regarding the priority of the uses of cash, you've been seeing us over the years, we're trying to balance all the priorities. And at this time, with the uncertainty ahead, as you mentioned, we really want to focus on not only completing our projects and allocating the capital for those projects. And we also want to take the opportunity to support our stocks in the same level of priority. But our biggest priority at this time is also to get back to a credit metric that is according to our expectations to 3.5x net debt-to-EBITDA. So we believe that -- even under the current circumstances, we can balance that all together.

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 is from Andres Cardona with Citi Group.

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

Yes, thank for the opportunity for a follow-up. The first question is if you can comment how the M&A activity is going on Mexico and if you are currently evaluating any projects? And if you could comment what sector it could be? And the second one has to do with Guaymas-El Oro. I understand that due to COVID-19 there is some delays for the government to make any decision. But my question is if there is a force majeure that (technical difficulty) the guidelines that the government has to make any final decision before (technical difficulty) to you guys?

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

Thank you, Andres. In the M&A space, as you know, we're always active. We're looking for high-quality assets or portfolio that meet our business model. So in these uncertain times, we are seeing some interesting potential transactions. I would say, primarily on the renewables front, but we are seeing some of the smaller players, also, for example, on refined products maybe looking at selling certain assets under development. That being said, obviously, we need to be particularly disciplined and cautious. But we are actively looking at some opportunities. And I'm sorry, I don't think I could understand your questions about Guaymas-El Oro. But again, I mean, the situation is that we have a good working relationship with CFE, and that's why we have continued to extend the suspension agreement. CFE has a lot of interest in getting that pipeline back up and running. And the Ministry of Gobernación is working hard to find solutions with the Yaqui community. So I mean, honestly, I'm glad to say that in the past year, we've seen a lot of effort and focus from Gobernación in getting that issue resolved. I'm not sure if that answered your question, again because you're getting cut off.

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

Yes, thanks Tania.

Operator

Thank you. And I'm not showing any callers in the queue. I would like to turn the call back to Tania for her final remarks.

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

Thank you. Well, thanks to everyone for joining our earnings call today. If you have any questions or need additional information, as always, please reach out to Miguel and Ale, our IR team. And please, everybody stay safe. Thank you.

Operator

And with that ladies and gentlemen, we thank you for participating in today's program. You may now disconnect. Have a wonderful day.



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