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Q1 2019 Infraestructura Energetica Nova SAB de CV Earnings
Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the [First Quarter 2019] (corrected by company after the call) Infraestructura Energetica Nova Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

Now it's my pleasure to turn the call to your host, Ms. Sue Bradham. Please go ahead, ma'am.

Susan Bradham *Infraestructura Energética Nova, S.A.B. de C.V. - Director of IR*

Thank you. Good morning, and thank you for joining us. Today, we'll be discussing IEnova's first quarter 2019 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 30, 2019, 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; Carlos Ruiz Sacristán, Chairman; Tania Ortiz, Chief Executive Officer; Nelly Molina, Chief Financial Officer; and Roberto Rubio, Vice President and Controller.

Please turn to Page 3 of the presentation provided on our website. And now I'll 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. Thank you for joining today's call.

Before discussing our first quarter financial results, I would like to start today's call by highlighting some recent developments.

We just announced this morning the execution of 2 long-term capacity contracts with a major international integrated oil company.

One is for our Manzanillo refined products terminal for 740,000 barrels of storage capacity. The other off-taker in Manzanillo is Trafigura.

The second contract is for 290,000 barrels of capacity in a new project that we have under development, the Guadalajara in-land terminal that will be connected to Manzanillo by rail.

Currently, we are in advanced commercial discussions with potential additional customers. Once these agreements are finalized, we will determine and announce the final site and investment associated with this terminal.



The Guadalajara project will be our seventh refined product storage terminal in the country, and it will contribute to Mexico's energy security.

At the end of March, Energía Costa Azul received 2 U.S. Department of Energy authorizations needed to export natural gas from the U.S. into Mexico via pipeline and to re-export it as LNG from Mexico to Non-free Trade Agreement countries. This is an important step in the development of the project.

We are working towards receiving all the major permits, completing design activities, executing the EPC contracts and finalizing commercial agreements to make a final investment decision by year-end.

Finally, I'm very proud to announce our inclusion in the Mexican Stock Exchange, IPC Sustainability Index for the fifth consecutive year. This recognition is due to our high standard for operations, perfection and conservation of the environment, labor practices, ethics, corporate governance and social commitment.

I would now like to turn the call over to Nelly to discuss this quarter's financial results and construction progress.

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

Thank you, Tania, and good morning to everyone. Please turn to Page 4.

Overall, all of our segments had a very good first quarter. Up 8% in adjusted EBITDA, which increased to \$229 million compared with \$211 million in the same period of 2018. This increase was mainly due to yet another positive quarter from our combined cycle power plant, TDM, which had higher operational results.

Profit in the first quarter of 2019 was \$101 million compared with \$128 million in the same period of 2018. The decrease was mainly due to non-cash exchange rate effects related to appreciation of the Mexican peso in the first quarter of 2018, and higher depreciation expense, partially offset by the TDM's higher operational results.

Please turn to Page 5, where you can see the list of the 11 projects we have under construction.

We are especially proud that during the first quarter of 2019, we placed our first solar project, Pima Solar, into operation.

Our second solar project, Rumorosa Solar, is currently generating electricity, and we expect to declare commercial operation of this project, as well as Tepezalá Solar, during the second quarter.

For the Marine Pipeline, we expect to declare commercial operation soon, as it remains at schedule for the second quarter of this year.

Gas is now being scheduled to begin commissioning activities in May for the onshore pipeline and facilities.

On the rest of our projects, we continue to make excellent progress and are moving forward according to plan. We expect to reach commercial operations in late 2019 and throughout 2020. As you all know, this year, execution is especially important for IEnova.

Please turn to Page 6, and I will turn the call back to Tania.

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

Thank you, Nelly. In summary, I am pleased with the strong results and growth at the company, the new contracts that we signed, as well as having achieved the milestone of placing our first solar project in service.

As Nelly mentioned earlier, we are permitting, designing and constructing 11 projects that will reach commercial operations in the next 2 years. They will contribute to our EBITDA growth and further diversify our asset and customer base.

In March, we participated in Sempra's Analyst Day, where we discussed our diversification strategy and development efforts. Mexico continues to require significant and critical energy infrastructure for the country to grow, and IEnova is very well positioned to serve our country's growing energy infrastructure needs.

You can find the webcast and presentation on Sempra's web page.

Before opening the call for Q&A, I would like to turn the call over to Carlos to provide an update of our ongoing discussions with the Mexican government.

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

Thank you, Tania. Good morning to everyone. We are actively approaching and engaging with several levels of the new government to develop a constructive relationship to help address specific energy infrastructure needs.

We have always had constructive relation with the Mexican government and its institutions and we remain fully committed to being a responsible partner that contributes to the country's long-term economic and social development.

In particular, we are engaged in ongoing discussions with the government related to solving the force majeure on the second segment of the Sonora pipeline. We continue to meet with various governmental entities including CFE to work together to place the pipeline back into service. Resolving the issue continues to be a high priority for both IEnova and the government.

Now, I would like to open up the call for any additional questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Pablo Ordóñez from Itaú. You may begin.

Pablo Ordóñez *Itaú Corretora de Valores S.A., Research Division* - Research Analyst

Hi, good morning IEnova team. Congratulations on the results and on the new project. Tania, for this new project that you announced today, can you give us more color on the internal rate of return of the new project in Guadalajara? And also, how is the pipeline looking ahead for more liquids projects? And second, on ECA liquefaction project, can you give us an update on the permitting process? Do you really have all the permits required on the U.S. side and which permits do you require on the Mexican side? Thank you.

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

Good morning Pablo, thank you for your question. Regarding the new refined product project that we announced, our terminals have consistently achieved returns between the mid and high range of a rate of return. We will be able to provide more color around Guadalajara as we contract additional customers and we'll be able to provide details around the scope, timing, investment, etcetera. We continue to see a lot of appetite from major international oil companies and traders to continue to develop refined products terminals. So we do continue to see growth in the short-term in that space.

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

Pablo, good morning. In relation to ECA LNG, as Tania mentioned, we have obtained the re-export permit from United States. We have in Mexico, basically, most of all the permits. There are a few that we need to do, but the main permit that we are working is the export permit from Mexico. We need, even though that we are going to re-export gas to United States, we will need an export permit and we have been working with the authorities now for several months. And we are fulfilling all the requirements. So that's the basic permit that we are missing.

Pablo Ordóñez *Itaú Corretora de Valores S.A., Research Division* - Research Analyst

Ok, very clear. Thank you, guys.

Operator

And our next question comes from the line of Christian Audi from Santander. You may begin.

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

Thank you. Good morning IEnova team. I had 2 questions. Carlos, could you comment a bit on your discussions with the government about Sonora? Have these discussions been continually focused on solving just the Sonora pipeline issue? Or have they expanded to discuss issues beyond Sonora with other projects you have, other contracts you have, etcetera? And is there, has there been any type of discussion about any type of timeline to decision on Sonora? And then, the second question was on the financial side. Nelly, if you could talk a little bit about how you see the evolution of your net debt to EBITDA? I know you were working on different initiatives to bring debt down. If you could update us on how those are evolving? And where do you see net debt to EBITDA potentially ending in 2019?

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

Hi Christian. On Sonora, I think we are very pleased with the effort that the several entities of the government are doing today with us and we have CFE, the Secretary of Energy and the secretary of Interior, and as well the local government in Sonora to try to fix this problem. We do not have a date to solve it but the effort is there. There are a lot of meetings in Mexico and Sonora in order to coordinate the efforts and try to find a solution. So we are pleased with the way things are moving. Second, the discussions with CFE and the government has been only in relation to the force majeure of 7 pipeline projects that have some issues. In our case, those have been concentrated only on the Sonora pipeline.

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

Hola Christian, good morning. Regarding your question on the net debt-to-EBITDA evolution. Well, this quarter we have seen a very little improvement but some improvement, 3.7x net debt to EBITDA with a \$3 billion total consolidated debt. We continue working on some initiatives for non-consolidated assets where we can raise some financings. We

(technical difficulty)

Operator

Ladies and gentleman, your call will begin momentarily. One moment, please. I'll put everybody on a quick hold.

Susan Bradham *Infraestructura Energética Nova, S.A.B. de C.V. - Director of IR*

Please accept our apologies for the technical difficulties. We'll resume the call with Nelly answering Christian's second question.

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

Thank you. Apologies for this technical issue. But I was saying that we see ourselves getting back, Christian, to approximately 3.5x by 2020, if we are able to execute all those non-consolidated initiatives.

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

Christian, let me add to the question that you asked me before. Something which we consider very important. We have heard several times in the past few weeks, top officials from the Mexican government stating very clear that the country will have the rule of law. They will respect all the contracts, but more important, they will respect timing of the contracts. Maybe the question was related to that. I think that we have heard that from many top officials in the past few weeks. And those are very clear and strong commitments.

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

Sure. No, that's very helpful Carlos. And -- so going back to the financial question for a second. 3.5x by 2020, how have your discussions been with the rating agencies about that, are they comfortable with that level by that time frame?

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

Yes, yes. Absolutely. Yes, Christian. You know that we have very open conversations with the 3 agencies. And we share with them our plans and financials of each of the assets. So they are pretty comfortable with these levels. And again, we have recreate this before. So as long as we are not exceeding 4x over a very long period of time, the agencies will be fine with these ranges.

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

Ok, thank you Carlos and Nelly.

Operator

Thank you. And our next question comes from the line of Vanessa Quiroga from Credit Suisse. You may begin.

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

Thank you to the IEnova team for taking my question. The first one that I have is regarding the expected CapEx for the new terminal project that you announced. More or less, should we expect the CapEx to be around the same size of previous projects, say, around \$100 million? The other question that I have is, if you think you need to update the expected timing for launching the ECA conversion project? Or do you still expect to be able to have all permits and everything you need this year to start that project? Thank you.

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

Good morning Vanessa. Regarding the new terminal, the Guadalajara terminal, again, we're still talking with prospective customers. So once we determine the full scope of the facility, we'll be able to provide CapEx. However, as -- just as an indication, you should look more at our Puebla and Valle de Mexico terminal. In-land terminals have a lower cost than marine terminals because they do not include all of the berthing and ship unloading facilities.

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

Vanessa, in relation to ECA, what we are working, as Tania mentioned, is to announce the final investment decision by the end of the year. That means that we will -- likely that we are ready to start the investment, which will have all the permits.

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

Great, thank you Carlos. Going back to the terminals, it does seem like while demand continues from companies to install this kind of infrastructure, do you think that you can continue to have a couple of terminals, new projects of terminals each year, more or less? What's your current outlook regarding that part of your business? And if I could add just on the Sonora question -- the Sonora pipeline question, do you have a sense of the milestones or meetings with communities that are planned by the government that is taking care of the situation? Can we talk about some timing here?

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

Vanessa, with regards to the refined products terminals, we do continue to see a lot of interest on the short-term. I mean keep in mind that all of these companies have already very aggressively taken position on the retail. So we continue to see this as a very positive short-term opportunity. Going beyond 2 or 3 years, we may not continue to see such a strong growth in the refined products terminals space.

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

Vanessa, as I was mentioning to Christian before, there is a high-level group of the government and including us that we are working on very clear strategy, and have meetings. And I cannot reveal to you the details of that strategy, but the effort is to make sure that, that problem with the yaquis is solved, the sooner the better.

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

Can you repeat the last part, Carlos? Can you repeat that, please?

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

I'm sorry. We have a group, the government has a group, top level officials that are working on solving this yaqui problems including those. And we have a strategy and this work is a daily work, not only here but also in Sonora. This strategy is there and is working. I cannot tell you the details of that strategy for obvious reasons, but it is working, and we hope to obtain results in the short-term.

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

Excellent, thank you Tania and Carlos.

Operator

Thank you. And our next question comes from the line of Jeremy Tonet from JPMorgan. You may begin.

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

Hi, good morning. Just want to start off touching base on the Marine Pipeline. And I was just wondering, if you could provide a bit more color there with regards to timing. When that could come into service? And how the costs are running for the project there?

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

Thank you, Jeremy. Like Nelly mentioned, we are in pre-commissioning and commissioning activities. We should be calling for gas in the next couple of weeks to be able to do our testing and line pack. So we really at the very final week of finishing the project. I mean with regards to CapEx, once we finalize construction, we'll do a definitive review. But again, we're a few weeks away.

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

That's helpful, thanks. And just turning over to TDM. Some of the utilities in Southern California noted concerns related to Aliso Canyon withdrawal rates for this upcoming summer. If there is issues there, could you just walk through how you think this would impact TDM and the margins you could realize?

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

Thank you, Jeremy. I mean we have -- TDM has had very, very positive results in this quarter, in particular, and in the past few quarters. And it is related to obviously a very high availability but also to several disruptions in both gas supply and generation in California.

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

So we cannot -- this is Nelly. We cannot predict the conditions, of course, but those -- if conditions improve in California, TDM may not generate as it generated this quarter.

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

Understood. But if there's issues with withdrawals that would seem to lead to more disruptions that could be helpful for TDM. Just wondering, as it comes to your guidance, I guess, you guys seem to have posted very strong first quarter here. TDM continues to exceed expectations. Would you look to, kind of, update guidance at some point of the year? Or maybe you could just, kind of, walk us through what we see?

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

No, we're not planning to update guidance. We consider early in the year, yet TDM is having a good performance. But we cannot predict the future quarters for TDM. And we are also going to place in operations the Marine Pipeline. So that will depend obviously on the exact date for the EBITDA generation. So we're not planning to update it, probably for the end of the year, we will not.

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

Okay. And then just one last one, if I could. Just wanted to touch on, kind of, private counterparty exposure for your portfolio. It seems like more of these projects are increasing that side. I was just wondering if you could update us as far as where you see the public versus government counterparty exposure at the end of next year. And kind of -- is there a mix that you think is right for IEnova, or any thoughts that you could provide there?

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

Yes. Jeremy, as you're aware, part of our strategy to maintain our growth and to maintain our business model long-term contracted asset has been to diversify our asset base but also to diversify our customer base. So once we finish construction of all of the facilities that we have under construction, let's say, by the end of 2020, about 50% of our revenues will come from private counterparties. And I see this revenue diversification as positive for the company. Obviously, our private off-takers are very high quality, including major oil companies and very large Mexican industrials.

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

That's all for me. Thanks for taking my question.

Operator

Thank you. And our next question comes from the line of Mauricio Serna from UBS. You may begin.

Mauricio Serna Vega UBS Investment Bank, Research Division - Analyst

Hi, good morning. Congratulations on the results and thanks for taking my question. Just a couple of things on the ECA project. You did put up in the results this quarter as a JV and associates. So just wanted to confirm, if we could assume that this is going to be a 50-50 co-investment with your parent, Sempra Energy? And sorry if I missed it, but if you could remind us what are the pending permits for the Mexican side for this project to be finally announced? And lastly, if you could also remind us on your FX exposure in terms of debt in Mexican pesos, being the FX losses for this quarter?

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

Mauricio, the basic structure or the basic organization of the ECA mid-scale would be a JV between IEnova and Sempra. And that JV will be a 50-50% arrangement. That does not include the regas assets that IEnova has today. Those assets are going to be in rent to that JV. And that's something that we are working on the IEnova Board and also on the Sempra organization. So it will be a 50-50. Second, without including, again, the regas facilities that we already have. There are several different permits that we need, different categories of permits, I will say that the main one is the export permit that we need for the gas, and that's the thing that we're working. We already have what is needed from the United States, and we have a lot of permits already done. But the basic permit without numerating other low category permit, this is the one, the more important one. And as I mentioned before, we have been working with the government for a few weeks on this.

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

Nelly, do you want to take the question around peso?

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

I just want to clarify the question. I think you have asked about what is the FX or the peso exposure we will have going forward? Or -- can you please clarify, Mauricio?

Operator

Mauricio disconnected from the queue. (Operator Instructions) And our next question comes from the line of Frank McGann from Bank of America.



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

Yes, thank you very much. Just if you could remind us how the accounting will change, if at all, when the Marine Pipeline starts up? I know you're already being compensated for that? So I just -- will there be any effect on income? Or are we already seeing the full effects of the pipeline?

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

So when the Marine Pipeline goes into service, we will start recording equity earnings, our 40% share of net income of the project. Right now, although we are receiving payments from the customer, we cannot record earnings.

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

Okay. So we will see an uptake in results as that pipeline start operations?

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

Yes. As soon as we declare commercial operations. Correct.

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

Ok, great. Thank you.

Operator

And our next question comes from the line of Alejandra Obregon from Morgan Stanley. You may begin.

Alejandra Obregon Martinez Morgan Stanley, Research Division - Research Associate

Hi, good morning and thank you for taking my question. Actually, I have 2 questions. The first one on the Power business. Maybe if you could just, kind of, help us understand how many months of operations are we seeing from the solar project during this quarter? And then the second one at the profitability level. Is there some sort of impact from IFRS 16 in the current numbers that we're seeing? And if so, can you please help us understand maybe on a like-for-like basis what we would have been seeing if we hadn't these accounting changes, please? Thank you very much.

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

Hello Alejandra, yes, for the solar project, we have initiated operations early in the year for Pima, but effectively we're selling electricity after February.

Alejandra Obregon Martinez Morgan Stanley, Research Division - Research Associate

Understood.

Roberto Rubio Macías Infraestructura Energética Nova, S.A.B. de C.V. - Controller

On the second question, Alejandra -- this is Roberto Rubio. For the benefit of the audience, I would like to say that this new standard, IFRS 16, requires to place present value of future lease payments on balance sheet. In our case, the trigger was once we have control of the construction site of our liquid terminals. In the income statement in the other side, we can say that there is no EBITDA benefit in quarter-over-quarter until our large operated leases started or are affected during the second half of 2018. You can see more detailed information in our Note #17 of our financial statements.

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

IFRS 16 is mostly impacting 2 of the largest terminals, Veracruz and Topolobampo.

Alejandra Obregon Martinez Morgan Stanley, Research Division - Research Associate

Understood. So just to see if I understood correctly, at the EBITDA level, we are looking at like-for-like numbers in what has been reported?



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

Correct. That's right. You don't see any difference.

Alejandra Obregon Martinez *Morgan Stanley, Research Division - Research Associate*

Okay. And a quick follow-up, if I may. In terms of timing, we're still expecting the same timing for the terminals in the hydrocarbon side, is that correct?

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

Yes, we have not had any changes.

Alejandra Obregon Martinez *Morgan Stanley, Research Division - Research Associate*

Okay. Thank you very much and congratulations on results.

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

Thank you.

Operator

(Operator Instructions) 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*

Yes. Just a follow-up, Tania, on the growth outlook. Can you just talk a little bit if there are any updates on the private sector on the renewables front? Do you -- are you still seeing opportunities for the remainder of the year on any projects there with industrials in Mexico? And then on the government front, any updates on the potential auction for natgas underground storage or anything else, electricity transmission, etcetera?

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

Well, Christian, as I mentioned, in the short-term and I would say for the remainder of the year, we continue to see a lot of interest from private customers in the fuels terminals, and we are also seeing a lot of appetite for renewable projects, particularly for our solar projects under development. So you'll be hearing from us as soon as we progress in these solar projects. With -- and of course, the demand is mainly from large Mexican industrials or very large Mexican commercial retail companies. On the government side, although we have not seen any very relevant progress on the underground natural gas storage, CENAGAS is undertaking their yearly infrastructure review process and the underground storage is considered in that plan. That being said, there are -- there is no formal process in place to launch the bid.

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

Got it. And on the -- going back to the terminals, are there any other public offerings or tenders for land that are coming up? Or that are open for terminals anywhere in Mexico right now? Or any upcoming one that you can tell us about?

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

There's -- obviously, I mean we've been, I think, cautious about announcing new refined products terminals before they are contracted. We are working on several. We may see an auction for La Paz coming up soon in the tip of the Baja Peninsula. But beyond that, we don't see any bids. Now keep in mind that we have been able to successfully develop many of these facilities without requiring a bid from a public port.



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

Got it. And currently -- Tania, I understand the government is looking to increase the supply of gasoline in the country to somewhere around 13 days. What is currently given that the construction of all these terminals currently that there's supply of gasoline in the country? How many days' worth of supply are there today?

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

There aren't any official figures, Christian, but our team can -- will get you some data that can -- may help you find or at least have an estimate on the numbers. A lot of the facilities, again, are just being built. So you may not see any substantial change, but we will provide the data that's available.

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

Thank you.

Operator

And our next follow-up comes from the line of Vanessa Quiroga from Crédit Suisse. You may begin.

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

Thank you. It's on the submarine pipeline cash flow. What's the amount of dividends or cash flow that you expect to receive once you start the commercial operations of the Marine Pipeline? And I would be interested if there's any update on what could IEnova do in order to monetize in an optimal way that project?

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

Hi Vanessa, well, we're going to record 40% of earnings of approximately \$130 million worth of annual EBITDA. So we have place intercompany debt or shareholder debt to the project. So we plan first to repay that intercompany set of loans once the project starts commercial operations. That will be a little bit less than the 40% equivalent of the adjusted EBITDA of the project.

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 Nelly.

Operator

(Operator Instructions) And we have a follow-up from...

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

I would like to go back and answer Mauricio from UBS question. I think he text Alexandra. So his question was, what is our peso debt exposure? And right now, all of our advanced debt, \$3 billion of consolidated debt is completely fixed in dollars.

Operator

And we actually have Mauricio Serna on the queue.

Mauricio Serna Vega UBS Investment Bank, Research Division - Analyst

Thanks for the answer. I just was wondering because you did have like an FX loss in -- at the earnings level -- effect at the earnings level, I just wanted to understand, how should we reconcile that impact? Thanks.

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

Yes, sure. There are other conditions that are impacting the line of deferred taxes. And we have to translate that from pesos to dollars. So those are other type of conversion of the financial statements because we have also debt in dollars and fixed assets that need to be converted from pesos to dollar as well.

Mauricio Serna Vega *UBS Investment Bank, Research Division - Analyst*

Got it, thanks.

Operator

And I have no further questions on the queue. I'd like to turn the call back to Tania Ortíz, 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 our call today. As always, if you have any questions or need additional information, please feel free to reach out to our Investor Relations team. Have a good day.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone, have a great day.

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