

Transcript Earnings Call 1Q24

Friday, April 26, 2024

Speakers:

- José Antonio Hurtado, Chief Executive Officer
- Enrique González, Vice President of Investor Relations

Operator: Good morning to all, my name is Dani, and I will be your conference call operator today. All lines have been placed on mute to prevent any background noise. This is Cox Energy's First Quarter 2024 Earnings Call. There will be a question-and-answer session following the speakers' opening remarks and presentation, with instructions given at that time.

Operator: Today joining us are **Mr. José Antonio Hurtado de Mendoza**, Cox Energy's, Chief Executive Officer, and **Mr. Enrique Gonzalez**, Vice-President of Investor Relations. They will discuss the results, recent developments, and Company strategy following the first quarter 2024 Earnings Report issued yesterday, Thursday, April 25th.

If you have not received the report, please contact Cox Energy's Investor Relations department and it will be emailed to you. Or it can also be downloaded directly from the website. Please note that this call is for investors and analysts only and no media inquiries will be accepted or reported on.

All forward-looking statements made during this conference are based on currently available information. Please refer to the legal disclaimer in the earnings report of results for more information. I will now turn the call over to Mr. José Antonio Hurtado de Mendoza.

José Antonio Hurtado: Thank you, Dani. Thank you very much, and good morning to all. Welcome to our first quarter 2024 Earnings Conference Call. We are pleased to be able to share with you the progress and achievements we have made during the first months of the year.

Cox Energy, as you know, is a growth story, therefore, we continue to learn how to improve our operating efficiency at both the Group and Cox Energy levels. As we mentioned in our last Earnings Conference call, Cox Energy belongs to the Cox Group, which has a presence in more than 30 countries and operates mainly in two business lines: the energy area, which I lead, and the water division. The energy division represented by Cox Energy is a vertically integrated *utility* with a global presence in over 17 countries on the continents of America, Europe, Africa and the Middle East. In addition to the two main business lines, Cox Group provides service and support in Operation and Maintenance (O&M), both for its own assets and those of third parties, as well as Construction and Technology services, remaining a benchmark in innovative and value-added solutions for our customers and *stakeholders*.

Cox Energy is seeking to consolidate its position as an energy leader throughout the entire value chain, from promotion, development, construction, and asset operation, to finally offering energy and value-added solutions to end customers.



Our strategy, strategic position, in high-growth sectors such as renewable energies, allows us to take full advantage of our own technologies and existing synergies, as we aim to consolidate our position as a benchmark for the industry.

An example of the above is the excellent opportunity we have in Mexico through the continuous growth of energy demand and the phenomenon of Nearshoring, which undoubtedly offer great opportunities in each and every one of the valuable products we offer from Cox Energy.

In addition, it is a pleasure to inform you that thanks to my geographic location and my experience in the sector, in addition to my responsibility and leadership of the energy division at a global level, I am now assuming responsibility for the total representation of the Group as "Country Manager" for the entire energy and water operation in Mexico and the United States, key countries for the growth of the Group.

José Antonio Hurtado: Turning now to Cox Energy, we kicked off the year with a promising first quarter, consolidating the corporate transactions that took place during 2023.

The acquisition, on the one hand, of 100% of Cox Energy Europa in September 2023, which integrates the company's development platform on the continent and the energy trading company in Spain and, coupled with, as you know, the acquisition of the production assets of Abengoa's former Energy division last December, has allowed us to expand our business exponentially and access new opportunities for expansion and growth. This has strengthened our position in the market. And this first quarter of 2024 is the first period that consolidates 100% of the operation of all these acquired assets.

As you may recall, Cox Energy Europe, a company today 100% controlled by Cox Energy, holds a 40% stake in Iboxia Cox Energy Development, also known as Ibox, which was born as a joint venture in 2018 between Next World and Cox Solar, with the aim of promoting renewable generation solutions. An example of the success of this strategic partnership is the sale of a 619-megawatt renewable asset package to CTG, China Three Gorges, in 2022, with a defined schedule for the delivery of these renewable assets ending in 2025. As part of our expansion and consolidation strategy, we are currently in the process of acquiring the remaining 60% of Ibox, which, once all the processes and regulatory and corporate authorizations are completed, will add 40% to the control that we currently have, to manage and consolidate 100% of this operation.

These strategic acquisitions drive Cox Energy's growth by consolidating it as a key player in the energy sector, with a solid structure and a resilient and agile business model and lay the foundations for solid growth in the medium and long term.

José Antonio Hurtado: As a result of the recent events and positive milestones we have experienced as a company during the last 12 months, Cox Energy had annualized revenues of 1,936 million pesos, which translates into a four-times increase over the same comparative period of the previous year. Annualized gross profit reached 904 million pesos, while EBITDA closed at 435 million pesos, with a margin of 22.5% on sales.

At the end of the first quarter of 2023, Cox Energy has a presence. Sorry, from 2024, Cox Energy has a presence on four continents and 17 countries, as well as a portfolio of own generation projects of more than 3.6 gigas between projects in operation and projects under development and/or construction. With these results we reaffirm our dedication to continue growing and contributing towards a world that is more committed to the environment.

José Antonio Hurtado: Looking ahead to 2024, there are great growth opportunities for our Company, which is why I would like to elaborate on the three divisions within Cox Energy, including Operating Assets, Construction and New technologies, and finally Self-consumption trading, which all play a key role in our business segmentation strategy.

During the first quarter, the generation division has 55 projects totaling more than 3.6 gigawatts of capacity with opportunities in more than 15 countries. This includes four Operating Assets which generate an equivalent solar capacity of more than 923 megawatts. And, within these assets in operation stands out very importantly the Bioenergy plant in Brazil, which did not produce during this quarter due to the seasonal effect in the business. When it's taken advantage, during the quarter, to do all the general maintenance works to equipment and plants and prepare for the next sugar harvest, which will begin next May, that is, in this next month. This seasonal effect impacts the consolidated result by not generating revenues and recognizing expenses, same that will recover during the second half of the year with the start-up of operations. This seasonal effect is the result of the harvest cycles, as I mentioned earlier, of sugarcane in the region. The other assets in operation, both the hybrid plant in Algeria and the photovoltaic generation assets in Chile, have performed as expected.

Turning to our Clients and Value-Added division, I would like to share that we continue to execute our plan and today we are able to market more than 350 gigawatt hours per year thanks to the businesses in Mexico and Spain, closing the quarter with 200 million pesos in revenues and an EBITDA of 28 million pesos. Within this division, Mexico is a country in which we are very active, with important expectations and growth projects for 2024, having contracts signed today for more than 400 gigawatt hours.

Finally, in the Construction "EPC" and New Technologies division, we are working on a portfolio of more than 13 billion euros in projects with bids submitted for more than 3 billion euros. And of those, more than 1 billion of such bids are under analysis for adjudication, demonstrating our ability to seek out and seize new business opportunities while laying the groundwork for the near future. An important milestone of this management was the first projects awarded in 2024. In April, two projects were awarded to the construction team, the first a Saudi Arabian project for 97 million euros and the second an engineering project in South Africa for more than 2 million euros.

José Antonio Hurtado: Moving on to describe the business in more detail. As I mentioned a few moments ago, during the first quarter we closed with a portfolio of more than 3,600 megawatts composed of 55 projects located in different parts of the world and in different stages of development, construction and/or operation.

In terms of projects in different stages of development, the Americas Region closed with a portfolio of 26 projects adding a total capacity of 1,702 megawatts. Particularly in Mexico, we have three solar photovoltaic power generation projects in the advanced development stage, of which, and that present great business opportunities in the medium term. The significant growth in energy demand that the country is experiencing and, as I mentioned earlier, the phenomenon of Nearshoring, that besides increasing the demand for energy exponentially will also bring investment to Mexico through the location of supply chains and the need to offer technological solutions at the request of customers, which represent huge business opportunities for Cox Energy. Not only in terms of the growth of Generation assets, but also in the Clients division to offer value-added products and services to customers.

Finally, during the first quarter, the EMEA (Europe, Middle East & Africa) has a portfolio of 1,898 megawatts, comprising 26 projects in development and construction stages, mainly in Spain, Morocco and South Africa, and with a combined cycle plant, hybridized with solar thermal, that is in operation in Algeria. For more information about our portfolio, you have it, all this information is on our website.

Cox Energy is firmly positioned for sustained and profitable growth in the future. We are committed to making the most of the opportunities offered by global markets, generating value for our shareholders and contributing to the sustainable development of the energy sector.

José Antonio Hurtado: Let me focus on the trading and self-consumption division. In this division we were able to generate more than \$200 million pesos in revenue during the quarter, which represents a growth of more than 50% compared to the same period in 2023. This growth reflects the growing interest in the transition to renewable energies and shows the great opportunity that exists in the energy commercialization and self-consumption business, both in the Americas and in Europe. As a reminder, in addition to the Commercial Energy licenses in Mexico and Spain, we are also licensed in Colombia and Chile. As I mentioned earlier, we are a vertically integrated utility and this business strategy allows synergies between the different areas, allowing us to maximize business profitability throughout the value chain. Energy trading is a tool that precisely allows us to achieve this important objective, which is the maximization of profitability of the entire business of Cox Energy.

A milestone that reaffirms this trend is the recent authorization that Cox Energy received in Spain, for instance, as a renewable energy supplier for the Bilbao City Council, with which the Municipal Corporation has awarded us a contract for the commercialization of 3 gigawatt hours per year. We will continue to work towards the profitable growth of the division to drive the adoption of renewable energy worldwide.

José Antonio Hurtado: The Construction and New Technologies division, as I mentioned a moment ago, has maintained its vital efforts to grow commercial activity, increasing the pipeline of projects and bids submitted, as I described above, during the first quarter of 2024. The first project awarded in 2024, which I mentioned earlier, is for the construction of an electric power generation system utilizing steam in a chemical production plant in Saudi Arabia. The system consists of a 60-megawatt steam turbine and the project is estimated to have a construction duration of just over 2 years, with an investment of around 97 million euros.

José Antonio Hurtado: In terms of results, the first quarter of 2024 already consolidates three full months of operation with the acquired assets in 2023. As I discussed earlier, this includes both the European platform acquired in September 2023, and the energy production assets from Abengoa, whose transaction was closed at the end of 2023.

Revenues closed at 789 million pesos; a six-fold increase compared to the revenues of the first quarter of the previous year. Reported revenues by business segment were \$398 million pesos in Operating Assets. Including Algeria's business and the hybrid combined-cycle plant, with the gas and solar-thermal hybrid combined-cycle plant of 50 megawatts. As the Bioenergy plant in Brazil, which has a generation capacity of 70 megawatts, and the assets in Chile of photovoltaic plants. Another \$200 million pesos from the

commercialization of self-consumption (mainly for the businesses in Mexico and Spain), as I mentioned before. And \$191 million pesos for the Construction and New Technologies division, each exceeding the goals established for this period.

Consolidated EBITDA for the quarter stood at \$71 million pesos, versus a loss of \$13 million pesos when compared to the first quarter of 2023. EBITDA by business segment was respectively: \$70 million pesos for Operating Assets, \$28 million pesos for Commercialization and Self-consumption, and a loss of \$27 million pesos in Construction and New technologies. The reason for this negative EBITDA in the construction segment is mainly the result of the management and administrative expenses recorded during the quarter. These were not offset by revenues as the division was in the middle of the project awarding phase, as I previously mentioned. Said effect will be largely offset by the estimated revenues during the, estimates that we anticipate for the remainder of the year 2024, result of the awarding of the aforementioned projects in Saudi Arabia and South Africa, as well as the different projects that I estimate will be closed during 2024.

José Antonio Hurtado: In terms of ESG issues, our goal is to implement a culture of sustainable development through the same ESG initiatives, while turning Cox Energy into a sustainable company of reference from an environmental, social and corporate governance point of view, contributing to sustainable development and generating long-term value.

As mentioned in the last call, during the year 2024, I will be fully dedicated to collaborating with the team in the creation of a well-defined strategy and management model. This will include defining the metrics and KPIs that will enable us to achieve our sustainable goals, moving ever closer to the commitments established in the Global Compact and the Paris Agreements by 2030.

We are in a strategic position to contribute significantly to several of the Sustainable Development Goals. For the environment, I would like to emphasize that we actively participate in the transition to renewable energy, in energy efficiency and in waste and recycling management, working to provide affordable and environmentally friendly energy through our renewable energy solutions. In addition, we strive to ensure universal access to clean water and sanitation.

For the health and wellness environment of our employees, we implement rigorous occupational health and safety policies and practices. In addition, we actively promote gender equality and diversity throughout our organization.

In terms of corporate governance, we have strong control and transparency mechanisms in place, including a sustainability committee, codes of ethics and conduct, and rigorous disclosure and reporting standards. We facilitate shareholder participation, in addition to having all the corporate governance bodies for responsible management and development of the company.

All our commitments to ESG are essential to realizing our vision of a sustainable and prosperous future. We are strongly committed to climate action and to working closely with all stakeholders to make a positive impact on both the world, on both the world, and our environment.

José Antonio Hurtado: And finally, let me say that in the constant search we have for the best professional talent, and the reality is what we currently have in Cox Energy workforce for ~~the~~ effective management of the different business lines and divisions. I am pleased to inform you that we have made changes at the executive level, recently joined our team as "Global Leader for the Portfolio Development of Generation Assets":

Lamberto has held positions as Vice-President of Development for Europe and Latin America in Sonnedix Group, CEO of Engie Solar in Mexico and Central America, General Manager of Africa Energy Corporation, and current member of the Board of Ibox. And we are sure that his integration and experience will bring a great, great, great value to our company.

This concludes my participation today and I sincerely thank you for your continued support and trust in Cox Energy.

José Antonio Hurtado: Operator. Dani, please proceed to open the question-and-answer session. Thank you very much.

Operator: Thank you, José Antonio.

We will now conduct a question-and-answer session. If you would like to ask any questions, please press the 'raise hand button' located at the bottom of the screen. If you are connected by phone, please dial Asterisk 9. We remind you that all lines are silent. When it is their turn to ask a question, you will be given permission to speak, then you will be able to activate your microphone and ask a question. We will pause a moment to receive questions.

Operator: The first questions we have available are those of Martín Lara, from Miranda Global Research. He sent them in writing, whereupon he says:

"Good morning and congratulations on the quarterly results. I have the following questions, with which we can take one at a time. What do you consider will be the investment required for the new project in Saudi Arabia? And when do you expect it to start operating?"

José Antonio Hurtado: Thank you very much Martín. The project is a project, as I mentioned before, in construction with a total amount of 97 million euros, at the exchange rate approximately 103 million dollars. It is a project, obviously not an investment project, it is an execution project as a contractor. Uh, and the operation will be in two years, as I commented a couple of, some minutes ago.

Operator: Ok. Then there's a second question from Martín, which is:

"How do you see Cox's consolidated sales and EBITDA margin over the next few quarters?"

José Antonio Hurtado: Well, thanks a lot to Martín for the question. I believe that what is most relevant is precisely what we have discussed about what has happened this quarter. This quarter we have consolidated precisely the two large corporate transactions we made last year. To the former assets of Cox Energy, which was a Company based solely and exclusively with assets in Latin America, we integrated the European division in September, as I mentioned before, and we have also integrated the assets that came from Abengoa's division of, from the energy sector, the productive assets. That happened, that also happened in December, and the success of the results of this first quarter means that we already have the whole company integrated.

In terms of expectations, obviously it is the consolidation of, of the business with a result., much more, uh, much more relevant than last year's closing due to the integration precisely of this year's operation. Furthermore, it adds to the results of March, as I mentioned before, it is precisely the performance of the asset we have in Brazil, which during this first quarter has been at a standstill production due to the exactly, the, the harvest of the cane that begins from, of the sugarcane, that begins from May, and from that moment on we will obviously see how the results will also increase differentially.

Therefore, answering the question, the expectation is to consolidate the business in a very relevant and important way, comparing it with the year 2023: And aside, as I have mentioned, with the growth of the other business lines that have to do with Commercialization and Self-consumption; and, on the other hand, well with the whole issue of Construction and New technologies.

Operator: Perfect. Thank you very much. And then, a third and final question from Martín:

How are you looking at leveraging the company going forward? Can you give us some color or expectations in that regard?

José Antonio Hurtado: Well, what I would like to say is that today if we look at the Company's debt, the debt does not have a corporate debt, what it has is project debt. Evidently, the counterpart is the project itself and we do not have, uh, let's say a debt, uh, with which, let's say, to compensate the result today.

Evidently, the Project Finance, and to give you some background we have is on the Algeria project, is a project that ends the repayment of the debt in 2026 and is a Project that has a life until the PPA, the power purchase agreement in Algeria until 2036. In other words, the expectation is that we have a very healthy balance sheet, to face the great challenge of growth that we have for the next few years.

Operator: Thank you very much, José Antonio. We will pause one last time in case anyone else wants to ask a question.

Alright, we have not received any further questions at this time. So that concludes our question-and-answer session. I would like to turn the call back to José Antonio Hurtado for his final comments.

José Antonio Hurtado: Thank you very much, Dani. To repeat, uh for me it has been a real pleasure to share with you the quarter's progress of Cox Energy, and I sincerely appreciate your interest in our company and hope that I have provided you with valuable information on recent developments and what lies ahead. Thank you all very much.

Operator: This concludes our call today. You may now disconnect. Have a great day.