

# **Enagás, S.A. (ENGGF) Q2 2024 Earnings Call Transcript**

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**Body**

Enagás, S.A. (ENGGF)

Q2 2024 Earnings Conference Call

July 23, 2024 2:30 AM ET

Company Participants

Arturo Gonzalo - Chief Executive Officer

Luis Romero - Chief Financial Officer

Conference Call Participants

Javier Suarez - Mediobanca

Ignacio Domenech - JB Capital

Manuel Palomo - BNP

Arthur Sitbon - Morgan Stanley

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to this Earnings Presentation for Enagás for Six Months of 2024. Our earnings were disclosed this morning before the market opened and the figure are available on our website, enagas.es.

Arturo Gonzalo, our Chief Executive Officer of Enagás will run through the figures with you. We expect this presentation to take about 15 minutes after which we will open a Q&A in which we will try and answer your questions in as much detail as possible.

Thank you very much for your attention. And I'm now giving the floor to Arturo Gonzalo.

Arturo Gonzalo

Good morning, ladies and gentlemen, and thank you very much for your attention. I also would like to welcome you to this earnings presentation for our first six months of 2024. And here with me are our CFO, Luis Romero, our Board Secretary and CLO, Diego Trillo, our Chief Officer of Communications, Institutional and Investor Relations, Felisa Martin, our Head of Investor Relations, Cesar Garcia, and our Head of Management Control and Business Analysis, Natalia Mora-Gil.

I will divide my presentation around four points. First, I will explain how we are rolling out our strategy plan with special emphasis on the milestones met in this last quarter, and giving you some data on how the gas system operates. Secondly, I will go over the key financial performance indicators, and thirdly, I will refer to how we are performing in ESG, and I will wrap up by reminding you of the targets for this year, 2024, and I will go through some conclusions.

And this July marks two years since we announced our 2022-2023 strategy plan, which is being rolled out much faster than originally scheduled. In these last few months, significant progress has been made along three lines of action. In the rotating assets to support the carbonization and the energy security of Spain and Europe, the basic milestone, as you know, was the divestment of our 30.2% stake in Tallgrass Energy for $1.1 billion, EUR 1.018 billion to Blackstone Infrastructure Partners, which we announced on July 10th. And the deal should be closed by the end of next week. Since this is a very recent and highly relevant transaction, let me go into a bit more detail to explain its positive impacts on the company. Firstly, it shows up our balance sheet and places us in a very sound position to undertake Enagás' investments in green hydrogen infrastructure to drive our long-term growth. It will also tie down the long-term sustainability of our dividend. Yearend debt will be reduced by roughly EUR 2.4 million. That's the smallest figure since 2008. The proceedings from the sale will be used to pay down $700 million bank loans, which have a higher cost and wholesale funding.

With the remaining cash, we will partially repay a $600 million bond maturing in February 2025. After this debt cancellation, we will have no significant maturities until 2026, and the average tenor of our debt will increase to 5.2 years. Gross debt hedged at fixed interest, including interest rate hedging instruments, will increase to between 90% and 95% of the total, and the cost will go down from 2.8% to 2.6% in 2024. This boosts our cash flow and our income statement with the lower cost of funding and gross savings of some EUR 40 million on average each year. Another transaction reinforcing our asset rotation strategy has been the agreement reached a month ago to sell off our stake in the compression station of Soto La Marina in Mexico to Accenture for EUR 15 million. For Enagás, this will bring in some EUR 5 million in capital gains. And as for our contribution to Europe's supply security, a key milestone was met as the construction of the Stade terminal began. The first LNG terrestrial plant in Germany also adapted for green ammonia. A few weeks ago, we held together with our partners in the Hanseatic Energy Hub Consortium. We held the stone laying ceremony and the plant with the attendance of the Prime Minister of Lower Saxony, Stephen Weil. As you know, we have a 15% stake in this major European project in which we are the industrial partner as well as terminal operator. A second line of action in our strategy plan is the control of our operating capital costs with our efficiency plan. We are meeting our commitment to ensure cooperating expenses will not rise more than around 1% CAGR during the period 2022-2026 as well as with the control of our financial expenses.

And the third line is decarbonization where renewable energy is the driving vector. Both Spain and Europe are developing this vector at an unparalleled pace. And in Enagás, we are in the leading edge of this development with significant progress also in this last quarter. All of our major hydrogen projects have been selected as PCIs or European projects of common interest. This was ratified last April with the publication of the final list in the official journal of the European Union which included the first main lines of the Spanish Hydrogen Backbone Network, the two storage projects, and the European H2Med Corridor. As for the national network also in April and as required by Royal Decree 8/2023, we submitted the 10-year proposal for the Spanish hydrogen infrastructure for the domestic network to the Ministry for the Environmental Transition and Democratic Challenge.

As for H2Med, it is ever closer to becoming a tangible reality. In June, we signed in Madrid a joint development agreement with our French peers, GRTgaz and Teréga, in partnership with the German TSO OGE to develop the BarMar interconnection. It is a key milestone which will define how we will carry out the feasibility studies needed for the interconnection and it sets the foundations. for a future investment or final investment decision, FID, the principles that will govern the joint SPV. We also signed a side letter with the Portuguese TSO, REN, to continue working together in the studies and the funding for the Spanish Portuguese interconnection, Celsa. We have set up the hydrogen technology observatory in order to join forces with the entire value chain and promote and disseminate the latest technical developments in renewable hydrogen.

These steps have been taken in the context of significant regulatory and financial progress at the national and European level, which have taken place in the first half of 2024, and which will shape developments in the forthcoming years, including the announcement of the outcome of the first European Hydrogen Bank auction on April 30th, which clearly underscores the importance of Spain, together with Portugal, as the main European renewable hydrogen hubs. With five of the seven selected projects, the Iberian Peninsula accounts for 82% of the output. A publication last week on July 15th in the European Union Official Journal of the Decarbonized Gas and Hydrogen Market, the directive and regulations. And in Spain, looking ahead to the next regulatory framework, the Spanish Competition Authority or CNMC has put its methodology for financial remuneration of the electricity and gas system out to public consultation in order to make it fit for purpose for this next phase of attracting major investments in the energy transition.

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In the second half of 2024, we expect other significant milestones for the company, including the approval by the government of the final version of the 2023-2030 National Energy and Climate plan and the beginning of the transposition of the Decarbonized Gas Hydrogen Markets Directive, the establishment of the National Energy Commission, or CNE, with powers for hydrogen regulation and the remuneration of HTNO. And on our side, we will be requesting in October the funds from the Connecting Europe Facility, or CF, for the studies of our PCI projects.

Before speaking about the performance of the Spanish gas system, I'd like to highlight the importance of this new phase that Europe is embarking on. The E-roadmap for the next few years shows that the green deal, the fit for 55 package and investment in green hydrogen are all firmly on the top of the European agenda, especially after the announcement of the clean industrial deal this last Thursday, July 18th. As was confirmed by Ursula von der Leyen in her speech, the European Parliament, hours before she was reelected President of the European Commission. And it's also in the program that she presented for her second term in office, which includes a firm commitment to investing in the deployment of a Europe-wide hydrogen network.

Without a doubt, Spain will be playing a crucial role in the rollout of the Commission's new green agenda. As for the Spanish gas system, during this first semester it has provided 100% availability and enormous flexibility. So far in 2024, we have received NLG and natural gas from 13 different points of origin. July ended Europe's storage stood at 79% of its total capacity with Portugal and Spain as first in class. Our country posted 95% storage at the end of June. As for the regasification plants, in the latest capacity auctions held in June, 241 slots have been allocated to 14 different companies. Currently 2,189 slots for LNG offloading have been booked from October 2024 to September 2039, which shows the long-term vision of the retail companies in the Spanish gas system and reinforces supply security. Industrial demand has grown 3.2% over the first six months of 2024, mainly due to the refinery, chemical, pharmaceutical and co-generation sectors. Co-generation in particular has shown a demand increase of over 20% in these last months following the approval of the new regulatory framework for co-generation order TD 526/2024. In line with performance throughout Europe, total demand in the first half of the year was 7.2% down year-on-year, mainly due to the greater contribution of renewable energy sources to electricity generation and high temperatures experienced during this last winter.

And let me now discuss the most relevant figures in our financial performance. EBITDA stood at EUR 385.7 million, up 3.7% year-on-year, recurring after tax profit June 30, without including the impact of the 2024 asset rotation with the sale of Tallgrass, reached EUR 148 million. Also without considering the impact of the Morelos gas pipeline sale last year, the company's net profit rose 10%. If we include the sale of our Tallgrass stake, after tax profit was minus EUR 210.8 million. This figure incorporates an expected capital loss on the books of approximately EUR 316 million once the sale goes through, depending on the exchange rate to be applied when the deal is closed. Apart from the deals I've just referred to, there are four factors behind the performance reported for this first half of the year. The impact of the regulatory framework on revenues has been partially offset by the increase in our COPEX and the positive impact from Musel E-Hub. The effectiveness of our efficiency plan, which has enabled us to keep cooperating expenses in line with our strategy plan. Our subsidiaries have continued to report excellent performance and have contributed EUR 102.1 million to our EBITDA, that's 14.3% more. And as for the GSP arbitration case in Peru, the court last week on July 16th outright rejected Peru's application to incorporate new documents to the proceedings.

No further indication has been received from the court regarding when exactly we'll hand down the award and so according to our legal advisors we expect to receive it soon. Continuing with our investing companies, the sale of our TGE stake has further bolstered our sound financial structure and our high liquidity position. Our leverage ratios have been considerably enhanced while the company's business risk profile has also improved. The rating agencies have taken note of this improvement, as you know, last week, Fitch notched up Enagás' rating from BBB to BBB+, maintaining its stable outlook and Moody's raised its outlook for Enagás to positive whilst maintaining its rating at BAA2.

With the backing of rating agencies and analysts, we have made the Enagás financial strategy even more robust with a sound balance sheet with which to tackle the new cycle of investment in assets such as hydrogen and other key molecules vital for the energy transition such as ammonia and CO2. Our ESG performance and positioning continue to make good progress as we continue to make good on our commitments. Over these six months, we have made progress in all three ESG areas, environment, social, and corporate governance. And thanks to this, as you can see in the slide, we have maintained our leadership positions in the key sustainability indices worldwide. And just to mention, two recent accolades. This quarter, the company was given the highest tax transparency seal by the Haz Foundation for 100% compliance with its indicators. And we've been named as one of the energy utilities with more female directors and senior managers in the Global Summit of Women report.

And before I wrap up, and to give you an idea of our performance in achieving our annual targets, we are in the upper range of the targets we announced to you at the beginning of the year, and in fact, even have exceeded them without taking into account our asset rotation divestments. One example of the extent to which we have already achieved our roadmap is the fact that since we presented the plan in July of 2022, we have managed to reduce the estimated net debt figure for 2026 by some EUR 2 billion, that's 45%. And after incorporating the effects of the asset rotation deals, the performance will be as follows. A 2024 after-tax profit of between minus EUR 90 million and minus EUR 80 million, EBITDA between EUR 730 million and EUR 740 million, a net debt at yearend is expected to stand at around EUR 2.4 billion.

The sale of our stake in Tallgrass Energy has fed into our dividend policy in 2024, more specifically, we will be remunerating our shareholders with EUR 1 per share. This quarter, the company has reinforced its financial position even further, which bodes well for the long-term sustainability of the Enagás dividend. The dividend for 2023 of EUR 1.74 per share has been fully paid out in July with a EUR 1.044 per share after the interim dividend paid in December.

Let me conclude with five take home messages. First, we have shared the earnings of this half year, which show the high degree of compliance with our strategy plan and bolster our financial balance sheet so we can confidently and comfortably execute our plan for investing in hydrogen, which we announced last quarter. Two, our focus is on Spain and Europe, and we continue to take firm strides along this roadmap, complying with the asset rotation strategy we announced, divesting in the United States and Mexico, and upping our profile in countries such as Germany through the Stade Project. Third, both the divestment of Tallgrass Energy and the European and Spanish milestones in hydrogen deployment give us significantly higher visibility than we had two years ago on the company's challenges and opportunities for the future. As we have seen, anticipating this future will lead us to update our strategy plan in the next few months. Fourth, we have brought down our debt ratio to 2008 levels when we were in the midst of another investment cycle. Then we were able to strengthen Spain's supply security with gas. And now we're on the brink of a new investment and growth stage in which, apart from guarantee and energy security, we will help to decarbonize Spain and Europe. And fifthly, our designation as HTNO entails an enormous opportunity and a huge responsibility, rolling out the green hydrogen infrastructures in good time. The Spanish and European hydrogen network will become a reality. And now more than ever, we are ideally positioned to contribute to its success. Many thanks. And now we are, of course, available to take your questions.

Question-and-Answer Session

Operator

[Operator Instructions]

Thank you. The first question is from Javier Suarez with Mediobanca.

Javier Suarez

Yes. Good morning, everyone, and thank you for the presentation. I have three questions, and the first is about the dividend. The Tallgrass divestment is obviously very significant for the company you've described in the presentation that you feel that the dividend will be sustainable in the period 2024, 2026, and also sustainable medium term. But could you elaborate from the financial point of view how you see the sustainability of this payout, not just until 2026, but beyond? So that's my first question.

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And the second question is about the whole arbitration proceedings in Peru. You mentioned in the presentation that the award should be announced fairly soon because there's no possibility of additional appeals or requests from the Peruvian government. Can you confirm that? And above all, what are the implications of this in terms of the timing for reaching an agreement and receiving the amount owed for GSP and also to unblock the situation in GTP? So could you give us an update on that timeline that would be very useful?

And the final question is for the timing of your disclosure for new business plan. You're saying that you'll be updating the business plan in the coming months and I was wondering what needs to happen for the company to actually announce that new business plan. Do you need to complete the Tallgrass sale? Of course the Peru issue needs to be resolved and there have to be some clear indications from the regulator on the new regulatory framework. So when do you expect that to happen? I'd like to get a timeline or your best estimate on the timeline for that new strategy plan or business plan. Thank you.

Arturo Gonzalo

Thank you very much Javier for those questions. Good morning. First of all, and as for the sustainable or the sustainability of our dividend medium term beyond 2026, once again, we'd like to reinforce our estimate or a vision of our sustainable dividend beyond that date with a payout ratio of around 40%. Up to the Tallgrass divestment we expect that mean flows from Tallgrass for the period 2027-2030 of about EUR 150 million and in the absence of these flows however there will be a very positive effect because of an improvement in the sale of our underlying business of about EUR 40 million a year approximately because of lowers interest cost for debt repayment. We are considering also or expecting also an improvement in the dividends received from our investing companies during that period of approximately EUR 30 million a year and therefore we believe that we can expect an average flow during that period of about EUR 540 million a year and therefore with the payout ratio I've mentioned, we will be within that range of sustainability that we defined between EUR 0.4 and EUR 1.2 per share. So that's the message that I wanted to emphasize that the divestment of our stake in Tallgrass energy is actually reinforcing the sustainability of our dividend beyond 2026 and significantly increasing the visibility for that period and beyond.

As for the arbitration proceedings in Peru, as I've described and as you've mentioned, now that there's been a decision on this last request by the Peruvian government, we expect the award to be announced very soon. And once again we are of course willing from that point on to begin a process of dialogue and negotiations with the Peruvian government so we can agree on the terms and the instruments for the repayment of the quantities that will be awarded by the arbitration court. And as for the timing, our vision is still to get that award during the first semester of next year, if we get the award on KSP, we will also be able to start negotiations on that with the Peruvian government. But baseline case as we have said to expect that award for the first semester of next year.

As for the new business plan, we are in fact thinking that it will happen in the fall of this year before the end of the year. Clearly the divestment of Tallgrass Energy gives us a lot of visibility to work on this plan. But I'd like to underscore that it's just going to be an update of our strategy plan in order to present a new, completely new plan. We will have to know not just the first signals from the regulator on the next regulatory period, but also more detailed knowledge of the period starting in 2027 with the elements of remuneration and a clear understanding of how they will approach the hydrogen regulatory framework in that initial period. And so we will be announcing an update of our strategy plan before the end of the year, but we won't present a new, completely new strategy plan until we know the details of the next regulatory period. Thank you.

Operator

And the next question is from Ignacio Domenech from JB Capital.

Ignacio Domenech

Yes, good morning. Thank you for the presentation. I have two questions. The first about hydrogen. You've said EUR 3 billion in investments for hydrogen projects, for the hydrogen infrastructure projects. And I was wondering when you expect to get approval from the government. And also along the same lines this week, they expected to announce some funding for hydrogen projects in the ministry. So I wonder if there's any of that funding which might have some impact on your investment plan for hydrogen infrastructures?

And my second question is about the arbitration proceedings in Peru. I'd like to know whether there's already been some discussions or talks with the Peruvian government and what you expect once there's the award for the GCP process. Might this facilitate the discussions for that second arbitration proceedings for GCP? Thank you.

Arturo Gonzalo

Well, thank you very much, Ignacio. And as for the investments in hydrogen, in fact, in February this year, we announced an investment program which we estimated EUR 3.2 billion for the Spanish main lines and the two interconnections that will make up the H2Med corridor. These are net figures. This is a proposal that we have included in the submission requested by the Royal Decree for a non-binding plan of the Spanish Hydrogen Backbone network, which we, again, presented in April. So now it's up to the Ministry to proceed with that proposal, which I suppose they will open for public consultations at some point within the context also of the same time of the transposition of the Director. But on the other hand, as you know, the Royal Decree 8/2023 also allows for the possibility of the cabinet allowing Enagás through a separate vehicle within the group to be interested with the commissioning of the PCI projects.

Of course, we are in contact with the government in order to receive that authorization when the time comes so we can start going through the PCI process promptly and so that we are able to apply for European funding in turn, and so we think that in the next months we will have everything we need in order to begin that process of development of these projects. As for the projects that have recently been awarded funding by the government of Spain or which we'll be receiving funding soon, they will contribute to accelerate the feasibility of that Hydrogen Backbone because they will consolidate the existence of a solid hydrogen market in Spain, and for that market to reach its full potential is why we need this backbone network. But at the same time, some of these projects, as you know, already have participation of our investee, and [inaudible] also contributing to the deployment of Enagás strategy plan. But certainly, the most relevant aspect is the development of a strong hydrogen market in Spain, which is going to require our backbone network and will make our interconnections with the other European markets go in proposition.

And so we are in contact with the Peruvian government, as I've said, for the arbitration cases. We have like told them that we are, of course, available to talk to them to find the best way of implementing that initial award, which we think will be in our favor, but always in the spirit of partnership because we are still a very relevant actor in Peru through our stake in TGP, and we are convinced that the proper execution of the award and blocking the TGP situation will be mutually beneficial for both parties, and so we keep the lines of communication open, and I would like to reinforce that point here again today.

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Operator

Next question in Spanish.

Unidentified Analyst

Good morning, and thank you for the presentation. I only have one question. Last week, the German government published an initiative to reduce the shelf life of gas assets to prevent sunken costs. My question is, considering this new regulation and the new gas regulatory period, are you considering the possibility of increasing depreciation or regulation by accelerating asset reduction as part of gas assets? Thank you.

Arturo Gonzalo

Thank you, Jose. We are aware of this German government initiative. We have not, however, received any signs that the same thing might happen in Spain. At the same time, nothing seems to indicate that the gas system in Spain will meet a sunken cost situation or assets that will cease to be important for the system. And I'm basing this statement on the huge commercial interest that infrastructures in our gas system are generating in recent slot capacity auctions for storage in tanks and underground storage. As we have perceived, I was talking about the latest slot auction where we placed 97% of the slots under auction with huge commercial interest until 2039. So like I said, nothing seems to indicate that the Spanish system might be facing a similar situation. Quite the opposite, the commercial interest of Spanish assets remains very high as it has been for the past few years.

Operator

Next question comes from Manuel Palomo from BNP.

Manuel Palomo

Yes, good day. I have two questions. First, about the PNIC. As I recall the draft was sent to the EU in June last year and it was expected to be approved by June this year. So about that, my two questions. When do you expect this plan to be approved and also whether you expected to be approved in agreement with last year's draft that considered a serious increase in hydrogen investments. That was the first part of the question.

And the second one is a clarification or a previous question. As part of your forecasts, you're considering a smaller balance after the disinvestment in Tallgrass. So, as part of your long-term plans to keep the dividend sustainable at levels similar to today's, what's the annual rate to CapEx that you're considering for next year and beyond? Thank you.

Arturo Gonzalo

Thank you, Manuel. I apologize if I cannot answer for the publishing of the PNIC. It is expected to be published soon. All members are rounding up the draft and working on it, but it is in the hands of the Demography and Green Transformation Ministry, not ours. Everyone in the industry is expecting the draft or the final document to be published soon, introducing improvements on last year's draft based on contributions from all participants in the sector, and as Enagás and is one of them, so we're expecting a fuller version, including the contributions made by all participants, but I cannot fathom the contents of the plan because it is not in our hands. We have no visibility on that final approval process. It's in the hands of the Ministry.

As for forecast and expected CapEx, Manuel, I believe I already said it during the presentation, Manuel, any extra details will be provided in the strategy update. However, as I said already, we have a clear idea on how to maintain our long-term investment program. Mainly, the core element will be hydrogen and for the period 2027-2030 we set up a EUR 3.2 billion investment plan and that are a beacon and that's what helps us translate our debt and grow our spread and margins to tackle this investment plan. But extra details will be supplied in the next few months with the strategy update. Thank you.

Operator

There are no further questions in Spanish. Next, we will take questions in English. The first question in the English room is from Arthur Sitbon at Morgan Stanley.

Arthur Sitbon

Hello. Thank you for taking my question. The first one is actually on the balance sheet impact of the Tallgrass transaction. It represents quite a significant amount of cash that you get back. And I was wondering what would be your plan with this additional balance sheet headroom? Is the idea to get a better credit rating or is the idea that it could fund further growth options for the future? So I would be particularly interested in that.

The second one, I was just wondering in your press release you talk about the increase in revenues from E Musel and the COPEX. Would it be possible to quantify the expected improvement on the revenues from these two drivers in 2024? Thank you very much.

Arturo Gonzalo

Thank you, Arthur. Concerning what's going to be our plan for this new maneuvering space in terms of balance sheet, our aim is to have enough capabilities to develop, to deploy the CapEx program of EUR 3.2 billion for the hydrogen infrastructure. However, it's true that this additional EUR 1 billion of cash gives room for improving our credit rating, and this is also a priority for Enagás, and this is something that is already taking place. You know that Fitch, as I said, has improved our rating from BBB to BBB+, and this is showing, I think, the next steps that we are going to see also from other rating agencies. So this is very important, but even though there is additional space for other growth opportunities, very, very well analyzed and very well aligned with our strategy, but we think that we are going to have room for some growth opportunities related to other molecules important for the energy transition.

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And in particular, we think that there are going to be opportunities for CO2, for gathering, transporting and storing CO2. We think that our plants offer very important synergies for handling CO2 molecules in a very efficient way. For instance, you know that for liquefying CO2, the spare cold of our gasification plants may be a very efficient source of cold and also for ammonia. So we will have additional maneuvering space for taking those opportunities, although giving always the priority to the hydrogen infrastructure program and to improving our credit rating and the leverage of the company.

And concerning your second question, Arthur, the COPEX is going to provide some additional EUR 10 million this year in 2024, and Musel E-Hub is going to provide approximately EUR 5 million of additional revenue. Luis, the CFO, can elaborate a little bit more. Thank you.

Luis Romero

Thank you, Arturo. Yes. Just to compliment a bit the answer, I think, Musel, for the full year, the contribution for the full year at EBITDA level is going to be around EUR 30 million. And if you see only the line of the revenues for the full year, the contribution is going to be around EUR 40 million. In terms of COPEX also for the whole year, the contribution of the COPEX is going to be expected around EUR 40 million. So between both, Musel and COPEX, in terms of revenues, we have a contribution to the full year of around EUR 80 million.

Operator

I currently have no other questions registered in the English room. Let's check if there are any extra questions in the Spanish room, please. Thank you. We do have a question from Ignacio Domenech from JB Capital.

Ignacio Domenech

Yes, just a follow-up because I didn't hear you. I didn't fully hear your answer about dividend beyond 2026. I mean, how sustainable can we expect that euro per share to be? I thought I heard something about EUR 0.8 to EUR 1, but I wanted to make sure I heard you correctly. And what kind of net debt are you expecting after 2027, after all the maturities you mentioned? Thank you.

Arturo Gonzalo

Thank you, Ignacio. About the first part of your question, our range for sustainable dividend beyond 2026, considering this FCO payout of 40%, our range, as I said, goes from EUR 0.8 to EUR 1.1 per share, EUR 0.80 to EUR 1.1. The improvement on financial costs that debt reduction brings after selling Tallgrass, also considering better dividend contribution in our stakes leads us to estimate an average FCO of 27 to 30 above EUR 540 million per year which would place us within the aforementioned range EUR 0.8 to EUR 1.1 as I mentioned before. As for the FCO to net debt ratio, the present levels do justify an increase or an enhancement of our credit rating above the present ones as we see reflected in Fitch's appraisal.

Operator

Thank you, Ignacio for your question. Do we have any other questions either in English or in Spanish? No further questions in the Spanish press room. Very well, then, if there are no further questions, we thank you all for your participation.

And as usual, we remain available to answer your questions in the Investors Relations Division for further questions and follow-up. Thank you very much, and see you the next time.

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