Press release

Results for the 1H2024

Enagás accelerates implementation of its Strategic Plan

The sale of the stake in Tallgrass Energy in July, which will enable Enagás to reduce its debt by 1 billion euros, strengthens the company's balance sheet to undertake investments in hydrogen infrastructure and reinforces its long-term dividend policy

Excluding the effect of asset rotation, Enagás' net profit at June 30 amounted to 148 million euros, 10% higher than in the same period last year

Fitch has upgraded Enagás' rating to BBB+ and Moody's has raised its outlook to positive

Madrid, July 23, 2024. Enagás continues to make progress, with a high degree of execution, in the fulfilment of the 2022-2030 Strategic Plan. The latest milestone in the execution of the Plan was the sale on July 10 of its 30.2% stake in Tallgrass Energy for 1.1 billion dollars (1.018 billion euros).

Excluding the effect of the asset rotation due to the sale of Tallgrass and the Morelos pipeline in Mexico, Enagás' net profit in the first six months of the year was 148 million euros, up 10% from the same period last year. Including the effects of asset rotation, net profit for the first half was -210.8 million euros.

At June 30, the company's EBITDA reached 385.7 million euros, up 3.7% year-on-year, the first EBITDA growth since the 2021-2026 Regulatory Framework came into force.

These results reflect the positive performance of the company, which has a solid liquidity position at the end of the half year of 3.337 billion euros.

1 billion euros debt reduction by 2024

Enagás will reduce its net debt by around 1 billion euros in 2024, thanks to the cash inflow from the sale of its stake in Tallgrass, strengthening the company's balance sheet for the new hydrogen investment cycle and reinforcing its dividend policy and long-term sustainability.

The proceeds from this sale, which is part of the asset rotation policy of Enagás' 2022-2030 Strategic Plan, will be used to repay the most expensive bank debt (in dollars) and part of the bond maturing in February 2025.

With this amortisation, the company's estimated gross cost of debt is reduced to 2.6%, which represents an average savings in the company's gross interest expense of 40 million euros per year from 2025 onwards.

In the long term, and thanks to the elimination of debt following the sale of the stake in Tallgrass, Enagás' gross fixed-rate debt increases to 95% of the total and its average maturity increases to 5.2 years.

Thanks to the reduction in leverage and the improvement in the company's business profile, on July 18 Fitch upgraded Enagás' rating from BBB to BBB+, and on July 17 Moody's upgraded Enagás' rating outlook to positive, maintaining the rating at Baa2.

High level of implementation of the Strategic Plan

Enagás continues to make progress, with a high level of execution, in fulfilling the Strategic Plan in its three main lines of action: the asset rotation plan to contribute to the decarbonisation and energy security of Spain and Europe, the control of operating and financial costs, and the renewable hydrogen calendar.

In addition to the sale of its stakes in Tallgrass and the Soto La Marina Compressor Station in Mexico - the latter for 15 million euros, generating a net capital gain of 5 million euros - as part of Enagás' asset rotation plan for decarbonisation and European energy security, Enagás' investment plan reached other important milestones in the first months of the year.

In June, construction began on Germany's first onshore liquefied gas terminal (Stade LNG), of which Enagás will be the operator, following the final investment decision (FID) and the closing of financing by the Hanseatic Energy Hub (HEH) consortium.

The estimated investment for the construction of the terminal, which is expected to start commercial operations in 2027 and will be the first to be adapted for green ammonia, is approximately 1 billion euros out of a total planned investment of 1.6 billion euros. Enagás holds a 15% stake in HEH.

Enagás continues to counteract the effects of inflation by controlling operating costs thanks to the intensification of its Efficiency Plan, and maintains its commitment to maximum annual growth in recurring operating costs of around 1% in the period 2022-2026.

Milestones in the hydrogen schedule

Enagás has achieved important milestones in the renewable hydrogen schedule as a key vector in decarbonisation and all of the company's major hydrogen projects have been considered European Projects of Common Interest (PCI).

In June, the company signed a joint development agreement (JDA) with French operators GRTgaz and Teréga, in cooperation with Germany's OGE, for the development of the renewable hydrogen underwater pipeline linking Barcelona to Marseille (BarMar), and formalised an agreement with Portuguese operator REN that reinforces the joint Memorandum of Understanding to develop the hydrogen interconnection between Portugal and Spain (CelZa).

These two sections are part of H2Med and are included in the final list of PCIs published by the European Commission on April 8, together with the Spanish Hydrogen Backbone and the two underground storage facilities associated with the Network. The total gross estimate of the investments included in the final PCI list in Spain is 5.9 billion euros, including the Spanish hydrogen infrastructure (4.9 billion euros) and the H2Med project in Spain (1 billion euros).

Also noteworthy among the advances in the hydrogen calendar is the presentation by Enagás of the proposal to develop a proposal for the development of the Backbone Network Infrastructure to the Ministry for Ecological Transition and the Demographic Challenge.

Other important milestones during the period were the publication in the Official Journal of the European Union of the Hydrogen and Decarbonised Gas Markets Directive and Regulation, and the first auction of the European Hydrogen Bank, with 5 projects from the Iberian Peninsula - among the 7 awarded - representing 82% of the hydrogen production receiving a premium.

In the second half of 2024, Enagás will submit its application for European funds from the Connecting Europe Facility (CEF-E) for the PCI studies, the deadline for which is October 22, 2024. The transposition of the European Hydrogen and Decarbonised Gas Markets Directive is also expected to start in the second part of the year.

Security of supply and industrial demand growth

In a half marked by international conflicts in the Middle East and Ukraine, the Spanish Gas System has operated with 100% availability.

Spain has received natural gas from 13 different countries in this period and, following the capacity auctions held in June, 2,189 LNG offloading slots have been contracted from October 2024 to September 2039, evidence of the long-term interest of marketers in the Spanish Gas System.

Underground storage facilities ended June at 95% full, with 100% of available contracted capacity.

The positive trend in industrial demand in Spain continued in the first quarter, with an increase of 3.2% to 90 TWh, driven by the refining, chemical, pharmaceutical and cogeneration sectors. The latter sector has experienced a 20% increase as a consequence of the approval of the new regulatory framework for cogeneration (TED/526/2024). Conventional demand, which includes industrial demand, grew by 1.8% in the first half of 2024.

Total demand fell by 7.2% in the first half of 2024 compared to the same period of the previous year, mainly due to a 32.6% drop in gas demand for electricity generation.

Contributions from affiliates

Affiliates continue to perform well in the half and contributed 102.1 million euros to Enagás' EBITDA, 14.3% more than in the same period of 2023. Contributing to this growth was Enagás' acquisition of an additional 4% stake in Trans Adriatic Pipeline (TAP) last year, bringing its shareholding to 20%.

Development work to increase TAP's capacity by an additional 1.2 bcm per year from 2026 continues and, since April, Enagás has held the rotating chairmanship of the Board of Directors.

The cross-border hydro-product between Greece and Bulgaria, which will be the start of the South East European hydrogen corridor, and the Prinos CO_2 storage project, both driven by Greek affiliate Desfa, have been included in the final European list of Projects of Common Interest.

With regard to GSP in Peru, the award of the International Centre for Settlement of Investment Disputes Arbitration Tribunal (ICSID), which will bring the arbitration proceedings to an end, is expected to be received in the short-term. TGP continues to play a key role in Peru's security of supply, with 100% availability.

2024 targets and ESG commitment

By 2024 and excluding the effect of asset rotation, Enagás expects to achieve its targets in the upper range of EBITDA, between 750 million euros and 760 million euros, and Net Profit, between 260 million euros and 270 million euros.

With the effect of the asset rotation, the range at the end of 2024 would be between 730 million euros and 740 million euros EBITDA, and between -90 million euros and -80 million euros net profit.

After the sale of Tallgrass, the debt target at the end of 2024 is approximately 2.4 billion euros, down from the initially planned 3.4 billion euros.

Enagás reinforces its dividend commitment of 1 euro per share for the period 2024-2026, with a sustainable dividend policy beyond 2026, in line with the company's cash flows. Enagás has paid a total dividend per share of 1.74 euros for the 2023 financial year.

Thanks to its commitment and progress in sustainability, Enagás maintains its leadership in the main environmental, social and governance (ESG) indices. It is among the world's leading companies included in the CDP Climate Change 'A List' and in the Top 5% of the S&P Global Gas Utilities sector, among other indices, and continues to make progress in the decarbonisation of the value chain, in line with its commitment to carbon neutrality by 2040.

The company is also a benchmark in governance and people-centred transformation. AENOR awarded Enagás the highest score (G++) in its Corporate Governance 2.0 index, recognising the solidity of its model and its commitment to transparency.

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