

26-Jul-2018

# Methanex Corp. (MEOH)

Q2 2018 Earnings Call

## CORPORATE PARTICIPANTS

**Kim Campbell**

*Manager, Investor Relations, Methanex Corp.*

**John Floren**

*President, Chief Executive Officer & Director, Methanex Corp.*

---

## OTHER PARTICIPANTS

**Steve Hansen**

*Analyst, Raymond James Ltd.*

**John Roberts**

*Analyst, UBS Securities LLC*

**Daniel Jester**

*Analyst, Citigroup Global Markets, Inc.*

**Jacob Bout**

*Analyst, CIBC World Markets, Inc.*

**Joel Jackson**

*Analyst, BMO Capital Markets (Canada)*

**Michael Leithead**

*Analyst, Barclays Capital, Inc.*

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

**Nelson Ng**

*Analyst, RBC Dominion Securities, Inc.*

**Jonas I. Oxgaard**

*Analyst, Sanford C. Bernstein & Co. LLC*

**Cherilyn Radbourne**

*Analyst, TD Securities, Inc.*

**Matthew Blair**

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

**Laurence Alexander**

*Analyst, Jefferies LLC*

**Charles Neivert**

*Analyst, Cowen and Company, LLC*

## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. Welcome to the Methanex Corporation Q2 2018 Earnings Call.

I would now like to turn the conference call over to Ms. Kim Campbell. Please go ahead, Ms. Campbell.

---

### Kim Campbell

*Manager, Investor Relations, Methanex Corp.*

Good morning, everyone. Welcome to our second quarter 2018 results conference call. Our 2018 second quarter news release, management's discussion and analysis, and financial statements can be accessed from the Reports tab of the Investor Relations page at our website at methanex.com.

I would like to remind our listeners that our comments and answers to your questions today may contain forward-looking information. This information, by its nature, is subject to risks and uncertainties that may cause the stated outcome to differ materially from the actual outcome. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections, which are included in the forward-looking information. Please refer to our second quarter 2018 MD&A and to our 2017 Annual Report for more information.

I would also like to caution our listeners that any projections provided today regarding Methanex's future financial performance are effective as of today's date. It is our policy not to comment on or update this guidance between quarters. For clarification, any references to revenue, EBITDA, cash flow or income made in today's remarks reflect our 63.1% economic interest in the Atlas facility and our 50% economic interest in the Egypt facility.

In addition, we report our adjusted EBITDA and adjusted net income to exclude the mark-to-market impact on share-based compensation and the impact of certain items associated with specific identified events. We report these non-GAAP measures in this way to make them a better measure of underlying operating performance and we encourage analysts covering the company to report their estimates in this manner.

I would now like to turn the call over to Methanex's President and CEO, Mr. John Floren, for his comments and the question-and-answer period.

---

### John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Good morning. Our second quarter 2018 financial results continue to demonstrate the earnings and cash generation capability of our company. Methanol prices have remained strong and our average realized price during the quarter was \$405 per ton, a modest increase from \$402 per ton in the first quarter. We recorded adjusted EBITDA of \$275 million in the quarter or \$581 million for the first half of 2018. Adjusted net income during the second quarter was \$143 million or \$1.75 per share.

During the quarter, North American prices remain unchanged at \$496 per ton. Prices in Asia were stable in April and May, and then increased from \$460 per ton to \$490 per ton in June. Our July contract prices in North America and Asia remain unchanged from our June prices. Our third quarter 2018 posted price for Europe increased to €419 per ton from €380 per ton, an increase of 10%.

Our sales continue to be strong with second quarter sales volume being 12% higher compared to Q2 2017. Our adjusted EBITDA in the second quarter reflects the impact of lower sales of produced product, which was largely a result of reduced production in New Zealand.

We believe the continued strength in the methanol pricing is based on strong industry supply and demand fundamentals. Overall, methanol demand in the second quarter was 4% higher compared to Q2 2017 and steady compared to the first quarter of 2018 despite lower demand from the methanol-to-olefins or MTO sector. Demand from the traditional chemical applications was healthy driven by strong demand for downstream products. Demand from energy-related products, including MTBE, dimethyl ether and other fuel applications was robust due to continued strength in oil and other energy prices.

MTO operating rates were lower during the quarter by approximately 500,000 tons as several facilities completed planned maintenance activities, and most of these plants are now back online. We continue to see MTO facilities operating at high rates. We expect three other MTO plants currently under construction to be completed over the coming months, with the combined capacity to consume over 3 million tons of methanol annually at full operating rates.

From a supply perspective, many planned and unplanned outages in the various regions around the globe impacted production during the quarter, which led to lower global inventory levels. As a result, methanol prices have remained strong and continue to sit well above the cost curve. We continue to see strong industry supply and demand fundamentals, although we may experience some price volatility in the near term as new capacity ramps up in the U.S. and industry trade flows regulate.

As a company that produces and supplies methanol globally, we continue to monitor the political landscape and the potential impact of tariffs and escalating trade disputes. Based on the announced tariff list to-date, we expect the direct impact to our business to be limited. We will continue to closely monitor this evolving situation.

Our production results were lower in the second quarter compared to the first quarter of 2018, largely due to our production levels from our New Zealand facilities, which I'll speak about in a moment. In Trinidad, we produced 442,000 equity tons in the second quarter of 2018. We continue to experience gas restrictions and expect to receive approximately 85% of our contracted gas supply for the foreseeable future.

In Egypt, we continue to receive 100% of our contracted gas supply and we have achieved excellent results producing 165,000 equity tons during the quarter. We expect to operate at close to full operating rates for the foreseeable future, including during Egypt's summer months. As a result, we are increasing our guidance to 100% annual operating rates in Egypt.

In Chile, our Chile I plant produced 128,000 tons in the quarter using natural gas from Chile as well as natural gas from Argentina through a tolling arrangement. We experienced lower gas deliveries in the southern hemisphere winter months, which impacts our production.

We are progressing the restart of our Chile IV plant and expect to complete this project by the end of the third quarter of 2018 for a cost of \$55 million. We continue to engage in discussions with gas suppliers in Chile and Argentina, and remain optimistic that we can secure additional gas to underpin a two-plant operation.

If we are successful in securing gas to support a two-plant operation, we anticipate spending an additional \$50 million to refurbish our Chile I plant over the coming years. This modest capital investment has the potential to add approximately 800,000 tons to our current operating capacity.

In New Zealand, we produced 252,000 tons during the second quarter. Production in the second quarter was impacted by planned turnaround and maintenance activities at our Motunui site as well as a damaged natural gas pipeline reducing gas deliveries from offshore resources.

Turnaround activities were completed at the end of June. The pipeline is now operational again, and now receiving gas supply from the source to our site

We are pleased to announce last week that we signed agreements that were expected to supply gas to underpin over half of the Methanex's 2.4 million tons of annual production capacity in New Zealand for a period of 11 years through 2029.

These new agreements will combine with contracts from other natural gas producers to supply our New Zealand facilities that are ideally located to supply the growing Asia-Pacific market. We ended the quarter with \$320 million in cash. Methanex's share of the cash, including a proportionate share of the Atlas and Egypt cash, was \$269 million.

Our balanced approach to capital allocation remains unchanged. We believe we're well positioned to meet our financial commitments, pursue value-added growth opportunities to maintain our industry leadership position and return excess cash to shareholders through dividends and share repurchases.

Our planned maintenance capital to the end of 2018 is estimated to be \$70 million. We have reviewed our maintenance capital requirements across our asset portfolio, including our Chile IV plant that will be restarted soon to ensure that we can continue to operate our plants safely and reliably. As a result, we are updating our maintenance capital guidance to \$120 million per year starting in 2019.

During the quarter, we continued to make good progress on our potential Geismar 3 production facility. We believe that our project has significant advantages relative to other projects being contemplated or under construction in the U.S. Gulf. The technology we are considering for the potential Geismar 3 facility would work in conjunction with existing Geismar 1 and Geismar 2 plants, resulting in meaningful capital and operating cost advantages relative to other plants, as well because the G3 plant would be located adjacent to G1 and G2 facilities. We can take advantage of existing infrastructure and economies of scale.

Our Board of Directors recently approved us moving to the next phase of the project, which is to complete detailed site-specific engineering work known as front-end engineering and design or FEED, which will help us refine our current capital cost estimate.

We expect this process to be completed over the next 12 months and will enable us to consider a final investment decision by mid-2019. We expect to spend approximately \$50 million to \$60 million on this project prior to reaching a final investment decision. Our preference remains to have a partner that can add significant strategic value to the project.

We are continuing to pursue de-bottlenecking opportunities at our Geismar 1 and 2 plants that could add between 10% to 15% to existing capacity with very modest capital investment compared to a new plant, which we estimate today to be approximately \$1,100 a ton. These de-bottlenecking projects would be carried out during planned turnarounds over the next few years.

In the quarter, we repurchased 3.2 million shares for \$250 million under our share repurchase program. Up till July 25, we have purchased 4.3 million of the 6.6 million shares under the current normal course issuer bid. In total, we've returned to \$241 million to shareholders through our regular dividend and share repurchase program in Q2 2018.

We do not have any major capital expenditures beyond standard maintenance capital, restarting our Chile IV plant, possibly refurbishing our Chile I plant, and progressing with the FEED phase of the potential G3 project over the coming 12 months to 15 months.

Our outlook for the third quarter is favorable. Methanol prices continue to be strong and we expect our production level to be higher in the third quarter compared to the second quarter. As a result, we expect adjusted EBITDA to be higher in the third quarter compared to the second quarter of 2018.

I would now be happy to respond to any questions.

---

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instruction] Our first question is from Steve Hansen with Raymond James. Please go ahead.

**Steve Hansen**  
*Analyst, Raymond James Ltd.*

Q

Yes. Good morning, John. Just the first one on the New Zealand gas. You secured the first 50% which is good. Should we expect you to be trying to lock down the balance of the gas over some timeframe in the near future, or are you going to leave that open at this point?

**John Floren**  
*President, Chief Executive Officer & Director, Methanex Corp.*

A

No, there's no spot market or very little spot market there for gas unlike North America. So, there is half a dozen key suppliers that we contracted for over the years. This contract certainly underpins the facilities – the three facilities there for a decade, so we'll continue that. We have contacts in place three years, five years in length. So, we'll continue to secure more gas on a contracted basis to extend 100% operating rates as long as we can. So, our strategy there is to continue to try and contract gas.

**Steve Hansen**  
*Analyst, Raymond James Ltd.*

Q

And this is all against the backdrop of the New Zealand government which has shifted some policy there, I guess. I'm just trying to get a sense for how urgent you think it is – how urgent the need is to secure more gas given that fluid situation.

**John Floren**  
*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, that policy change is really a long-term policy change. The existing permits are in place, the onshore and offshore. That's where our gas comes from. There's lots of reserves there to supply us. We're about half the market in New Zealand, and the actual electricity market is declining.

So, I think governments come and governments go and pass policies. But certainly, that policy, if it was to stay in place, is probably not going to impact us for some decades. But we'll continue to monitor the situation. Certainly, it's not helpful to have those policies passed when you have gas suppliers trying to monetize the reserves and develop new reserves. I'll remind you as well, the gas there is very rich in liquids. So, they're really going after the liquids which trade at oil prices.

So, in today's environment of \$70 oil, it is quite attractive for them to be processing the liquids, and we're the beneficiary of getting the gas that's left over. So, not really anything has changed in New Zealand. You never like to see these kind of things announced, but I'd say really no impact in the midterm in our business. I think this contract highlights that the supplier was willing to contract us -- with us for 10 years and we're talking to other suppliers. And we're very optimistic we'll be running those three plants for the foreseeable future.

Steve Hansen

*Analyst, Raymond James Ltd.*

Q

That's helpful. And just one last one, if I may, on the partner for Geismar 3 or the potential partner. Is there -- based upon your FID decision that you've outlined, the time line, is there sort of a drop-dead date at which point you have to bring in a partner, like how should we think about that process?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, as we continue to derisk the project, well, the [ph] partner client fee (15:27) goes up, right? So, there's never a drop -- I don't like to say drop-dead dates, but the price continues to ratchet up as we get more comfortable with the project. It's an excellent project; the returns that we're going to prove out here over the next 12 months through a FEED are fantastic.

So, this partner will have to bring significant strategic value for us to sign them up, but we're optimistic we can get a partner. Our preference is to get a partner, and they'll see the benefits of this project. They'll see the benefits of working with Methanex. They'll see the benefits of the site that we've got two plants running there, all the logistics, and using our global supply chain.

So, there's a lot of benefits that we bring to this project that I'm sure a partner will value. And they -- everybody has their own process. What I would say as our partnership discussions are not going to slow us down. And we're going to continue to proceed to do the FEED and be in a position to do an FID this time next year. I'd say unlikely that we'd bring a partner in post-FID, but never say never. But our preference is for a partner, and that's what our team is working towards.

Steve Hansen

*Analyst, Raymond James Ltd.*

Q

Very good. That's helpful. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

**Operator:** Thank you. Please limit your inquiry to one question plus a follow-up question. Our next question is from John Roberts with UBS. Please go ahead.

John Roberts

*Analyst, UBS Securities LLC*

Q

Thanks. It looks like you're more than halfway through your buyback authorization, a little over a quarter here. If the cash flow continues at this high level, once you complete the current program, do you let cash build until you can do the next normal course bid or do you revisit the dividend, or how do you think about cash deployment here in the short term given the high level of generation?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes, no change to our balanced approach. It takes some money to grow the company, and I've highlighted that in my opening remarks. Dividend, we look at once a year. What I'd like to say about the dividend is as we buy back 10% of the float, I mean, we can increase the dividend 10% and have no further cash outlay. So, there's room for us on the dividend as we've grown our production. The company is much stronger, and we believe we can sustain a higher dividend over time. But we'll make that decision next year. We've made that decision for the dividend early this year.

And then – so buybacks is our other way to return cash to shareholders. And you're right, we're making good, solid progress on the NCIB. We'll see how the next quarter turns out. I mean, we'll start to build cash once the NCIB is completed. I mean we won't have an opportunity to do the next NCIB till March of next year. So, I've always said there's a possibility to do a substantial issuer bid if all the stars align, then if they do, we'll consider that.

But our preference is the NCIB because of the flexibility that it gives us -- that we can start, stop, increase, decrease the rate based on events that may happen in the industry that we're not foreseeing or may happen in the global economy we're not foreseeing. So, again if we do a substantial, we'll have to have the cash on the balance sheet before doing it. I guess you could run scenarios where that might be a possibility. But we'll just continue to complete the NCIB, finish that and then take a look at a lay of the land and make a decision.

But we're not going to hoard cash on the balance sheet. Our guideline has been around \$200 million, depending on working capital and price of methanol. And as prices go down, we're really – working capital -- as methanol prices go up, we build up at the working capital. So, nothing really changed, John. We'll continue to distribute excess cash to shareholders through buybacks and dividends.

John Roberts

*Analyst, UBS Securities LLC*

Q

And secondly, would you expect any of the major MTO producers to pursue back integration into methanol?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

We haven't heard of anybody doing that. If that was to happen, more likely it would be done in the Inner Mongolia, Shanxi province where there's lots of coal. We've been following the environmental policies in the eastern part of China. They're actually moving out facilities, moving or closing polluting coal-based plants for energy, boilers, et cetera. So, unlikely you're going to see a coal-based methanol plant being built in the coast where most of these MTO facilities are.

We haven't heard of anybody in the inland like Inner Mongolia or Shanxi looking to do that. It's not saying it couldn't happen, but we haven't seen any anybody talking about that, so. And then, there's the gas-based guys

which, if you look at the five-year plan and you look what happened last year in China, more and more natural gas is going to heating electricity, less and less for chemicals like methanol. So, we would expect that trend to continue as well.

So, unlikely you're going to see the MTO guys on the coast backward integrate. And that's where we sell our product. That's where we're very active.

John Roberts

*Analyst, UBS Securities LLC*

Q

Great. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thanks, John.

**Operator:** Thank you. Our next question is from Daniel Jester with Citi. Please go ahead.

Daniel Jester

*Analyst, Citigroup Global Markets, Inc.*

Q

Yes. Hi. Good morning, John.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good morning.

Daniel Jester

*Analyst, Citigroup Global Markets, Inc.*

Q

So, since the last call, we've seen a pretty big pickup in macroeconomic volatility in Latin America, especially in Argentina. I think the peso is down 30% against the U.S. dollar so far this year. So, how does this volatility affect your negotiations to get gas? And today, are you more or less confident than you were maybe six months to nine months ago in being able to complete the Chile I refurbishment?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, thanks, Dan. Just wanted to remind you that our discount rate on average is 15% when we have steady pricing, and it's a bit more volatile up and down when the prices move up and down. But when we're steady pricing, our discount rate is 15%.

As far as Argentina, I think the volatility has been quite helpful for us. We would be buying natural gas in U.S. dollars, if we are successful in coming to an arrangement with Argentinian gas suppliers. Obviously, the country would look favorably upon getting natural gas in -- U.S. dollars for their natural gas, considering they have excess gas now because of their discoveries in the Neuquen, especially during their summertime.

So, we're very optimistic that we're going to secure gas. The gas is there. It has just come down to the economics and we're negotiating and we'll continue to negotiate. When we're successful, we'll announce something. Right now, we haven't secured additional gas, but we're optimistic we'll get there. But we're in negotiations and

negotiations sometimes take a little longer and are a little tougher than what you first anticipate. But I think that for the country as a whole, having U.S. dollars come into the country for their gas is a very positive thing for the country.

Daniel Jester

*Analyst, Citigroup Global Markets, Inc.*

Q

Okay. And then, following up a little bit on the tariff comments that you made in the very beginning, can you just comment about how you're thinking about tariffs for yourself as you think about the G3 project? A lot of that methanol will probably get exported.

And I know that you said you don't have any direct impact on tariffs today but, clearly, some of your customers in China maybe downstream might, so just wondering kind of what they're thinking when you have conversations with them. Thanks.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, the tariffs that have been announced to-date, there have been some of the olefin downstream products that have had tariffs announced, which we think could be slightly positive for increased affordability for some of those derivatives that the MTO guys are producing. But it's around the edges at this point. They're not really importing a lot. Maybe we'll see, like we saw in lumber here in North America, tariffs go on and the whole market goes up in price, but it's early days. We don't know exactly how that's going to turn out. That's not our primary business, but we're certainly in dialog with our customers around that.

For the G3 project, 100% of it is being modeled to be exported. The beauty of our company is we have six production sites around the world. So, if you have a Draconian view that there's going to be tariffs from New Zealand and Trinidad as part of this trade war into China, then that could impact the overall pricing of methanol into China. But China is still a very large net importer of methanol. They plan to be a very large net importer of methanol. And if there's tariffs on everything everywhere, then probably prices go up, inflation probably gets much higher than people are expecting and GDP goes down.

So, again 55% of the demand for methanol today is related to some sort of GDP. So, you had a 1% drop, maybe you lose 1 million tons of projected growth of demand. But it's early days. Lots of rhetoric. Really no impact on our business at all based on our current supply chain and setup, and there has been no duties put on methanol into China at this time.

Daniel Jester

*Analyst, Citigroup Global Markets, Inc.*

Q

Great. Thanks, John.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

**Operator:** Thank you. Our next question is from Jacob Bout with CIBC. Please go ahead.

Jacob Bout

*Analyst, CIBC World Markets, Inc.*

Hi, John.

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Hi, Jacob.

A

Jacob Bout

*Analyst, CIBC World Markets, Inc.*

So, I guess we're seeing I guess in the U.S. spot pricing a little weaker in anticipation of the ramp-up of this nat gasoline plant. What are your thoughts on how this plays out either for trade flows or impact on pricing?

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Well, the longer it's delayed, the more demand continues to grow. So, every month that it's delayed, demand grows and less of an impact from a supply-demand balance. I think we're planning – probably going to see some volatility as these molecules find their way into the market, but the market is waiting for them. So, there'll be maybe some short-term volatility -- the spot price is U.S. has held up really, really nicely and it's very low in liquidity.

A

So, we don't think there's much room for much of that product to go on the spot market. I think they're setting up to export quite a bit of the product, probably avoid importing some Trinidad product in the U.S. and substitute with their own production once the plant is up and running well.

So, when that happens, we'll continue to monitor it. And we're poised to deal with the volatility if and when it comes. But every month that goes by, there's more demand that the world needs and this product is needed more and more. So, I think it was anticipated to be on about a year ago, same with the Iranian plants. And here we are in July, almost August and very little impact.

Jacob Bout

*Analyst, CIBC World Markets, Inc.*

Okay. Maybe just moving to the industrial boiler market in China, how have your thoughts evolved on that and what are your thoughts as far as demand for this upcoming winter season?

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Yes. I think we've got in – it's around a 2 million ton demand, that's growing much faster than we would have guessed this time last year. So, if it grows another few hundred thousand, that's probably what we've got forecasted, but it could be higher than that, probably won't be much lower. And I'll remind you, this is not a fungible demand. Once they change, they change. They're not going back and forth. They make a decision if they're going to use diesel or methanol or natural gas if it's available and they make a change. So, it's not going to go back and forth.

A

And even if we continue to capture a very small share of this market, it's very positive for the demand for methanol globally. So, we would continue to see adoption. We've been working with the coal boiler

manufacturers, as well as the government on standards and making sure there's standards in place for handling and using methanol and delivering methanol to these applications or these facilities. And that's where our focus has been. We see this as quite an attractive growing market in the short term.

Jacob Bout

*Analyst, CIBC World Markets, Inc.*

Okay. Helpful. Thank you.

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Thanks.

A

**Operator:** Thank you. Our next question is from Joel Jackson with BMO. Please go ahead.

Joel Jackson

*Analyst, BMO Capital Markets (Canada)*

Hi, John. Good morning.

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Hey, Joel.

A

Joel Jackson

*Analyst, BMO Capital Markets (Canada)*

You have some commentary that you continue to expect 100% gas allocation at your Egyptian JV. Is that also what you expect in Q3, the typical summer quarter where typically gas is tougher to come by?

Q

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Yes. We're right in the middle of their hot summer there and it has been hot as expected, and we're receiving 100% of our gas allocation. So, we've changed our guidance officially today, going forward, that we expect to receive 100% winter, summer, spring, fall. And there has been lots of activity in the country with developing existing reserves and exploring for new reserves as well as possibly importing gas from other countries and becoming a bit of a hub.

A

So, quite exciting times for Egypt. The country itself is doing a lot better; the GDP is growing. The balance of payments is much better. The cash reserve is better. Tourism is up. So, a lot more stability in the country. And as a result, all is well, they're increasing energy prices in the country more to world levels as opposed to subsidies. So, a lot of positive things the government are doing for the country and for the future of Egypt.

And as a result, we're very comfortable in changing our guidance to 100% reserves. And the plant has been running excellent. The team there has done an outstanding job in running that plant since we did the major refurbishment, I think, over 18 months ago now. So, we're really optimistic that we'll have high rates and all that product stays within the Mediterranean, so the logistics are fantastic. So, it's just a really, really good situation for us in Egypt right now.

Joel Jackson

*Analyst, BMO Capital Markets (Canada)*

Q

Thank you for that. John, I may have missed this, but is the hesitation now that after Chile IV restarts that you can run Chile I and Chile IV in Q4 and Q1 even without locking in a long-term gas field there? Obviously, you have the concern about how reliable Chile I can be, like you don't want to break if you keep running it, right?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. Well, the two plants will be integrated, right? So, back to the situation we were when we had four plants. So, we've tied Chile IV back to Chile I. It can run standalone or it can run integrated. And that's how we set it up.

The economics are much better when it's running integrated, so we're optimistic that that's what will happen as we bring it up here in late in Q3. There's gas there. There's no doubt. The volumes of gas are there in the region to run two plants starting this fall. We need to negotiate an economic price that makes sense for us and makes sense for our gas suppliers, and that's what we're doing. If we're optimistic, we'll sign something to allow us to run both plants. But until we do, we're optimistic.

But the gas is there. I think that's the good news for us. The volumes of gas are there. We're being offered gas. It's just a matter of agreeing on a price. And that's what our team is doing. And our teams are effective of securing gas. And I'm optimistic we'll have enough to run both plants as we come into their summer starting in October of this year.

**Operator:** Thank you. Our next question is from Mike Leithead with Barclays. Please go ahead.

Michael Leithead

*Analyst, Barclays Capital, Inc.*

Q

Hi, John, good morning.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good morning.

Michael Leithead

*Analyst, Barclays Capital, Inc.*

Q

Morning. Just following up on the energy side of the demand picture, you talked about MTO, you touched a little bit on the industrial boiler side. I was hoping you can maybe update us on what you're seeing in some of the other markets whether it'd be MTBE, fuel blending, DME, if you're seeing anything different there in those markets?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, QoverQ we had a really strong energy growth above 7% and that's where the 0.5 million tons is being out for MTO. So if that hadn't been included,

we would have seen even bigger growth. So, we're seeing good MTBE market, good fuel-blending markets. DME is stronger than we would have anticipated even as we're coming into their summer.

So, no, the energy markets themselves have been quite robust and we'd expect them to be robust going forward. I mean, the surprise I think has been DME and the affordability has been better because of oil and higher propane, but also propane is one of those products where it's got tariffs on it, significant tariffs coming into the country which does impact the economics from PDH and using propane for straight heating and cooking. So, DME is a little better, but all the other demands are pretty well in line with what we thought they would develop.

Michael Leithead

*Analyst, Barclays Capital, Inc.*

Q

Great. And then, if you look at some of consultants' methanol price forecasts, they seem to be calling a bit of a negative inflection globally over the next couple of months, where you guys still sound pretty strong on supply-demand fundamentals and July price is pretty good. So, I was hoping maybe you could hit two or three of the areas where you feel like you guys disagree in your outlook and your overall kind of bullish view here?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, they say commodities and quantities do cycle, so one day it will be right. I mean, they've been forecasting this collapse of methanol pricing for, I guess, two quarters now and here we are. But we'll be sitting here one quarter when, yes, prices will have come off because it is a commodity product.

We look at supply-demand. We don't forecast pricing. We look at supply-demand. I mentioned earlier, each month that goes by without new supply, demand grows. The market is anticipating new supply. Inventories are low, spot prices are high, and the market's waiting for that. So, if the new supply doesn't come, you should expect pricing to remain quite robust. Once the new supply does come, runs well, there might be some volatilities, it finds its way to the proper home for those molecules based on the supply-demand fundamentals of global trade.

We're not in that situation today and we'll continue to monitor it. Like I said, we have a global supply chain that we can adjust depending on how things pan out and we plan to use it. So, we'll see how things move. But this collapse of pricing that has been anticipated for six months, if not longer, has not happened and we'll post our prices for August in the coming week and we're seeing quite strong supply-demand fundamentals, as I said, in my opening remarks.

Michael Leithead

*Analyst, Barclays Capital, Inc.*

Q

Great. Thank you.

**Operator:** Thank you. Our next question is from Hassan Ahmed with Alembic Global. Please go ahead.

Hassan I. Ahmed

*Analyst, Alembic Global Advisors LLC*

Q

Good Morning, John.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good morning, Hassan. John, a question on the Iranian trade source. For a few different commodity chemicals, what we've observed is that ahead of the implementation of sanctions, I believe it's August 6 when they happen,

Iran has actually been dumping more product than normal into China. Are you seeing similar things on the methanol front?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Not at all. In fact, very little Iranian product moved in the last quarter because of some production issues. Iranian product traditionally has been – India is the first market. China is the second market. As its sanctions came up, they moved a bit into the meth but very little, and we're watching to see how these new sanctions affect things. But no, really no – we haven't seen any dumping of methanol. If you look at the coastal inventories in China, they're extremely low. When they sell in China, they have to sell at a discount, right? So, we see the odd cargo, but I wouldn't use the word dumping in my vocabulary. We're seeing the product find its way to market in a normal fashion.

Hassan I. Ahmed

*Analyst, Alembic Global Advisors LLC*

Q

Understood. Now, sticking to the whole China side of things, one of the large acetic producers recently reported earnings, did an analyst day prior to that. One of the themes that they talked about was 600 basis points to 800 basis points of acetic utilization rate sort of uplift because of all of these sort of environmental regulations and the like in China. So, talking about how there has been a lot of shuttering, particularly in China, on the acetic front.

Now, obviously methanol going into acetic, I mean, have you seen a similar sort of shutdown level on the methanol front in China as well? I mean, obviously you guys talked about good sort of acetic demand, and that was something consistent with what this company was saying as well. But, I mean, what surprised me was the level of sort of uptick in utilization rates because of these sort of shuttering.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes, we look at these markets on a global basis, these commodities that we sell into on a global basis. And just like methanol, there's trade flows. There's – people have shut down and start up new plants. We're showing year-over-year growth in acetic of about 4%, which is in line with GDP numbers and [ph] IP (36:53) that we always forecast. So, maybe there has been a few puts and takes, more production in one area and less production in the other. We haven't seen anything significant yet, but overall the market continues to grow quite nicely at around 4%.

Hassan I. Ahmed

*Analyst, Alembic Global Advisors LLC*

Q

Right. But just more in terms of environmental-related sort of capacity shutdowns in China, I mean, obviously some may have happened on the methanol side. Are those plants still shut or have they restarted? I mean, any sense of how much capacity we may have lost because of these shutdowns?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. Again, we don't see very much. I mean I don't know the specifics of which company you're talking about and what they mentioned. But we're not seeing a whole bunch of, for environmental reasons, acetic acid shutting down. Doesn't mean it won't happen. As they get more and more strict about the environmental regulations, there were I think in the quarter a few technical issues with one of the plants, but I don't have any more information on that, Hassan. We'll certainly check with our people there and find out.

As far as the methanol itself, yes, we saw quite a bit of shutdown because of environmental issues and continue to see, so we see more. And it's spreading throughout the country. It's not just an Eastern China situation now. It's becoming more ubiquitous around the country, and as well as more and more gas gets used to replace coal in heating and electricity, we see methanol from natural gas declining especially during their wintertime. And we would expect that to continue over this wintertime as well.

**Operator:** Thank you. [Operator Instructions] Our next question is from Nelson Ng with RBC Capital Markets. Please go ahead.

Nelson Ng

*Analyst, RBC Dominion Securities, Inc.*

Q

Great. Thanks. Good morning, John.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good morning.

Nelson Ng

*Analyst, RBC Dominion Securities, Inc.*

Q

Quick one on New Zealand. In terms of the latest gas contract, is it kind of similar to the other contracts in terms of there is a base price plus sharing?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. All of our gas contract in New Zealand work like that except for a little bit spot that we might buy. So, they have a base price, a very low floor and then sharing mechanism above around \$200 methanol.

Nelson Ng

*Analyst, RBC Dominion Securities, Inc.*

Q

Okay. And then, you also mentioned that because there's a very limited spot market there that essentially like the vast majority of your production is contracted. But this one in particular is for a large amount and for a much longer term whereas the other ones are more in the three-year to five-year period?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Some are three years, some are five years. This one is 10 years, which really is great to underpin that that production facility allows us to and continue to invest in the plants, continue to invest in our people. So, it's really great to have this kind of long-term contract to underpin our future there in New Zealand.

We have existing contracts that will be expiring over the coming years. We're in negotiations all the time. There's, like I said, a handful of suppliers. Everybody knows how much is there. And so, we'll continue to secure additional contracted gas over the coming years to allow us to run all three plants.

Nelson Ng

*Analyst, RBC Dominion Securities, Inc.*

Q

Okay. Got it. And then, earlier you mentioned that tariffs have like a very limited or if not any impact, but I guess the Chinese currency has weakened over the last month or two, has that impacted methanol prices or trade to any degree or demand from China?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, I think you'd have to have excess capacity in China ready to export for that to impact, and that's certainly not the case. China is a large importer, especially on the coast of methanol. So, if you had a view that there's 10 million tons of idle capacity that can come on and because of a lower RMB start exporting product, it would have an impact. But that's certainly not our view.

Nelson Ng

*Analyst, RBC Dominion Securities, Inc.*

Q

Okay. Thanks.

**Operator:** Thank you. Our next question is from Jonas Oxgaard with Bernstein. Please go ahead.

Jonas I. Oxgaard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Well, thank you. Gas availability for Trinidad, can you give us a little bit of an update there? And as a follow-up on that, their two plants – two methanol plants shut down, yet there's one under construction. How does that make sense? And does the new plant, when it finally comes online, does that take gas allocation from you guys?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. We've guided to about 85% operating rates for the foreseeable future. That's what we've experienced, and that's what we expect to operate at in the foreseeable future. I'm not sure. I'm sure that the new plant that's coming on has secured gas. I'm not privy to know exactly from who and how they secure the gas. I don't have any specific information on what their operating rates are going to be.

I would say there's a lot of plants, especially on the ammonia side, that are under negotiation for new gas contracts. We'll see how those pan out and we'll continue to monitor it. And that plant, I think, is due up at the end of the decade, so we'll see how things evolve. But for our guidance, you should be using 85% operating rates for the foreseeable future.

Jonas I. Oxgaard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Okay. And then, if I may, if you don't mind returning to Chile for a second. The gas availability that you're negotiating, so you're saying that there is physical availability, it's just economics. But how should I be thinking about that? Because Argentina is importing LNG, why would you be able to buy LNG from Argentina – or gas from Argentina below LNG price? Am I missing something in the logistics of this or how does that work?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

There has been a lot of development in the recent years in Argentina in the Neuquen Basin using – mainly for shale gas using hydraulic fracturing and stage drilling, et cetera. If you look at their reserves today, they're back to

pre-2007 levels. I think they import some LNG during their wintertime. So, when we're talking about gas suppliers from Argentina in the short term, we're really focused on their summertime when they do have excess gas, especially in the south part of the country.

So, that's what we're focused on, is really the gas we used to get pre-2007 is there that's in the ground and the country itself is becoming more self-sufficient in gas again. And there's recent announcements that they're going to start exporting in the north or the central part of the country to Chile as the winter ends there.

So, I think the market has changed quite a bit. They may still have to import some Bolivian gas and some gas on LNG in their wintertime. But I think they're planning to be self-sufficient as a country in the not-too-distant future. So, we'll continue to negotiate and hopefully be able to secure gas at economics that allow us to run both plants at high rates, especially during their summertime.

---

Jonas I. Oxgaard

*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Okay. Thank you.

---

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

---

**Operator:** Thank you. Our next question is from Cherilyn Radbourne with TD Securities. Please go ahead.

---

Cherilyn Radbourne

*Analyst, TD Securities, Inc.*

Q

Thanks very much and good morning.

---

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good morning.

---

Cherilyn Radbourne

*Analyst, TD Securities, Inc.*

Q

First question, as it relates to a potential Geismar 3, just in light of all of the activity on the Gulf Coast, could you comment on your assessment regarding the availability of construction resources and whether you'd be looking for a fixed price contract to build that plant?

---

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. We'll have an – not a fixed price, lump sum EPC but we'll look to fix certain aspects of that, if and when we do an FID, which has been next year. So, right now, the money we're spending is just to prove out the capital cost estimate that we've got through a basic engineering package. So, part of the next 12 months before we get the FID is to really examine in a more detail, weigh the construction labor market and look at the pros and cons and the productivity, et cetera, et cetera.

But we think there's a nice little window, and I've talked about this for some years, projects that will be ending as we – if we decided to go forward with an FID mid-next year that – we based on our current view, there would be quite a bit of labor availability. Productivity is always the question, but we have a great site there. We have a site on the right side of the river where a lot of people want to work.

So, as long as we're competitive on labor, which we will have to be, then we expect to not have any problems attracting high-quality skilled labor to the project. But we'll take the next 12 months to make sure that we really analyze the situation well and make a decision. But I'll remind you, we did build two plants there, so we know the market really well.

The people know us really well. They like to work at our site. And we're going to do things, if we do go forward with that project, to make our site the best site to work at in the area, so we could attract the very best labor and quality and skill. So, part of the next 12 months to get a better understanding.

---

**Cherilyn Radbourne**

*Analyst, TD Securities, Inc.*

Q

Okay. That's helpful. Separately, your run rate of purchased tons has been a bit higher in quarters than I would have expected with your own internal production at such high levels. Can you just give us an idea of what we should expect there going forward?

---

**John Floren**

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. So, again, we had a huge outage planned in New Zealand, over 200,000 tons. So, our sales don't fluctuate quarter-to-quarter by that much. We can have probably – there's very little fluctuation if you look historically in our sales. So, in order to keep our customers whole during the times when we have large outages like we had in New Zealand, we purchase a little bit more product and that's what we did. We built up a little bit more inventory.

And there was a comment by one of the analysts that we sold more – some of our produced inventory buildup. Well, yes, because we built it in front of this large outage. So, of course, we're going to sell it. And we don't have a choice when we sell the purchased or the produced. It's the thing called FIFO, first in first out, these accounting rules that we are bound to that we don't choose when we sell purchased product. We don't choose when we sell produced products unlike what some analysts might think.

We actually follow the accounting rules. And those FIFO layers work their way through around the world. And when we had a large outage like we did in New Zealand, you would expect our purchased product to be higher and that's what it was. Our guidance hasn't changed. Directionally, we want to sell about 80% of our sales be our equity molecules and the other 20% be a combination of our long-term offtakes for our joint venture partners in Trinidad and Egypt, some other offtakes that we have, and then some spot. And that will be our guidance going forward.

Does that mean every quarter? We're going to be exactly that. And this last quarter was a case, in fact, for the reasons I outlined.

---

**Cherilyn Radbourne**

*Analyst, TD Securities, Inc.*

Q

Okay. So, would 0.5 million tons be kind of more of a normal quarterly run rate?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, we're selling about 10 million tons over, so about 0.5 million a quarter is just about right, something like that.

Cherilyn Radbourne

*Analyst, TD Securities, Inc.*

Q

Okay. Perfect. That's my two. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

**Operator:** Thank you. Our next question is from Matthew Blair with Tudor, Pickering, Holt. Please go ahead.

Matthew Blair

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Hi. Good morning, John. How are you?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Good. How are you, Matthew?

Matthew Blair

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Good. Good. Thanks. So, the MDA mentions that you expect 4 million tons of new methanol capacity to come on line in Iran over the next two years. I was hoping you could maybe narrow this down a little bit. And specifically, do you expect any incremental Iranian capacity to start up before the end of 2018?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Well, this capacity has been under construction for 10 years plus, it was planning to be running last year and here we are midway through this year and no sign of it. We don't have any particular insights into Iran. We do watch those shipping. I mean, these are a lot of molecules that once these plants start up and they operate well to move and those are going to be moved to Asia. So, we watch the shipping. Are they making large inquiries for ships and booking ships, and the answer is no.

So, that's kind of a window into what we see and when they come up, when they run, how will they run. Take your crystal ball out and you'll probably do as well as any industry expert because it's really complicated. Sanctions come on. Can you get workers? Can you get things like catalysts? It's really unknown to us, but they are under construction. There's been lots of press about them starting up, but as of right now, we haven't seen them start up and we don't anticipate them starting up in the near term.

Matthew Blair

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Sounds good. And then, speaking of shipping, are you seeing any additional interest in methanol as a shipping fuel, particularly as we get closer to this IMO 2020 low-sulfur bunker fuel spec?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. We've always said that that market is a mid-next decade market. They will have these new specifications coming in 2020. We believe most ship owners are just going to switch to ultra-low sulfur diesel to start with and they see how markets pan out. I think the beauty of the technology we installed on our ships is it's flexible. You can run methanol, you can run ultra-low sulfur diesel depending on the economics and the relative economics of each. So, we're proving out that technology.

Our seven ships have been running on methanol for over a year now in many cases. We've got four more coming next year. So, again, in a scale of 1 to 10, we're probably at stage 1.5 to 2. But there's a lot more interest in it. And I think ship owners only want to make one change, so they're going to see how things develop. And I think methanol is part of the solution. It's not the solution, but we don't need much penetration in that market to have a big impact on the supply-demand balance. But I wouldn't be putting anything large in your demand forecast for this application, January 1, 2020.

Matthew Blair

*Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.*

Q

Got it. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

**Operator:** Thank you. Our next question is from Laurence Alexander with Jefferies. Please go ahead.

Laurence Alexander

*Analyst, Jefferies LLC*

Q

Good morning. I just wanted to follow up on you – with your – have you had any engagement on the shipping side or would you be looking to work more closely with the shippers to facilitate the process, or are these 11 ships sort of the scope of the commitment you want to make to that market in terms of seeding the market?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

No, I think we're proving out the technology, have been working with the engine manufacturer, the MAN Turbo. And they've got these engines now that are marketable that are dual-fuel that can use both methanol, ultra-low-sulfur diesel, heavy-fuel oil, et cetera. And we're using our ships really to prove out the technology that wasn't existing a few years ago. So, we'll continue.

As we look to add ships to our fleet or replace ships in our fleet, this will be our technology of choice because of the flexibility. As far as us seeding others to do it, no, I don't think that you should expect us to do that. I mean, we work with Stena on the 4-stroke engines by Wärtsilä to prove out the technology there as well. And that's been working quite well, so I think the ship owners will have to make a choice, and there's a lot of anticipation of what's going to happen to the price of ultra-low sulfur diesel if everybody shifts to that, and we'll see how things turn out.

And then people will make choices. So, you shouldn't expect us to spend significant money seeding others to use methanol on their ships.

Laurence Alexander

*Analyst, Jefferies LLC*

Q

And have you – based on your first year of experience, are there any limitations that you see in terms of the route length that...

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

No.

Laurence Alexander

*Analyst, Jefferies LLC*

Q

... [ph] shouldn't (53:35) to be viable for?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Not at all. All route lengths that we have in our fleet, and there are some long ones that go from the Atlantic to the Pacific Basin, methanol is very viable.

Laurence Alexander

*Analyst, Jefferies LLC*

Q

Okay. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thank you.

**Operator:** Thank you. Our next question is from Charles Neivert with Cowen. Please go ahead.

Charles Neivert

*Analyst, Cowen and Company, LLC*

Q

Yes. Just one question. On the contract in New Zealand for the gas, is that going to include any of the high-CO2 gas or is that not the right supplier?

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

It's not the supplier that has the high CO2, but we're in negotiations with that supplier. We're optimistic, but I've been optimistic we can get it for the last several years. So, we'll continue to look for it, and that's nirvana to get that high-CO2 gas to get to the 2.4 million tons. But right now, I'd be modeling 2.2 million tons or 550,000 tons a quarter.

Charles Neivert

*Analyst, Cowen and Company, LLC*

Q

Got it. Okay. That's it. Thank you.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Thanks.

**Operator:** Thank you. Our last question is from Steve Hansen with Raymond James. Please go ahead.

Steve Hansen

*Analyst, Raymond James Ltd.*

Q

Yes. Hi, John. Just one follow-up. I don't think you mentioned the CO2 issue in Medicine Hat. Just wanted to clarify. It sounds like there is a small shortage there. You should get – resume supply in Q3. But the 10,000 tons that you lost in the quarter, was that CO2 limitation for the full quarter, a portion of the quarter? I'm just trying to get how we should think about third quarter as we're looking at the resumption of the supply.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

A

Yes. So, we have one supplier for CO2. There's not a fungible market. They had an issue with their plant which took them down. They've told us they'll be back running at the end of the summer. I would expect similar types of losses in Q3 that we had in Q2. It's 10,000 tons give or take. But they are making repairs to their facility and told us to expect to start receiving CO2 again as we come into the fall time.

Steve Hansen

*Analyst, Raymond James Ltd.*

Q

Okay, small. That's fine. Thanks for the [ph] clarification (55:42).

**Operator:** Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Mr. Floren.

John Floren

*President, Chief Executive Officer & Director, Methanex Corp.*

Okay. Thank you. Methanol pricing has remained robust during the first half of 2018, and we believe that the methanol industry fundamentals continue to remain strong. Our priorities for capital allocation are to meet our financial commitments, pursue our growth opportunities and return excess cash to shareholders through dividends and share buybacks. Thank you for your interest in our company.

**Operator:** Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2018 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.