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Methanex Corp. (MEOH)

Q1 2021 Earnings Call

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Michael J. Herz

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Ben Isaacson

Analyst, Scotia Capital, Inc.

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Analyst, Raymond James Ltd..

MANAGEMENT DISCUSSION SECTION

Operator: All participants please stand by. Your conference is ready to begin. Ladies and gentlemen, thank you for standing by. Welcome to the Methanex Corporation Q1 2021 Earnings Call.

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

Kim Campbell

Director-Investor Relations, Methanex Corp.

Thank you. Good morning, everyone. Welcome to our First Quarter 2021 Results Conference Call. Our 2021 first quarter news release, management's discussion and analysis and financial statements can be accessed from the Reports tab of the Investor Relations page on 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 outcomes 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 first quarter 2021 MD&A and to our 2020 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 a question-and-answer period.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

Good morning everyone. We hope that you are continuing to stay safe and healthy. As we deliver Q1 2021 results, it's hard to believe that we've operated through the pandemic for over 12 months. A resilient business model and robust planning and execution have enabled us to navigate through this challenging period. We are incredibly proud of our team worldwide, who have shown tremendous commitment and agility over this year. Our teams have continually adjust how we've worked to keep each other safe while maintaining our operations and delivering reliable methanol supply to our customers.

This morning, I'm pleased to discuss our strong first quarter 2021 financial results, which highlight the value of our business model. We will also share what we see in the methanol markets today, review our operational results and discuss our outlook entering the second quarter.

Turning to our financial results, we posted hired methanol prices in the first quarter of 2021, increasing our average realized price to \$363 per tonne, up by \$81 compared to the fourth quarter of 2020. Our adjusted EBITDA of \$242 million, increased by \$106 million over the fourth quarter of 2020. These results demonstrate the leverage that our earnings have to higher ethanol prices. We also recorded higher adjusted net income of \$82 million or \$1.07 per share in the first quarter, an increase of \$70 million or \$0.92 per share compared to the fourth quarter.

Turning to the markets, methanol demand continues to recover and at the current trajectory, we anticipate the global methanol demand will return to pre-pandemic levels later this year. Global methanol demand in the first quarter of 2021 increased by approximately 5%, compared to the first quarter of 2020.

This steady methanol demand recovery combined with ongoing industry supply challenges led to tight market conditions and higher methanol prices in the first quarter. We are pleased to see favorable industry conditions continue into the second quarter. We estimate the industry cost curve, which is set in China remains at approximately \$260 to \$280 per tonne. Spot prices in China are above this range today.

Early in the second quarter, methanol market conditions remained tight and global inventory levels remained low and industry supply challenges persist and methanol demand continues to recover. We recently posted our May North American price, which increased by \$23 to \$542 per tonne and our Asia-Pacific price, which remained at \$430 per tonne. We set our European contract price quarterly and our second quarter posted price is €410 or approximately \$490 per tonne.

Now turning to our operation results, our first quarter of 2021 production of 1.6 million tonnes was similar to our fourth quarter results. Higher production of our Atlas and Medicine Hat facilities offset lower production in New Zealand and Geismar facilities in the first quarter. In New Zealand, our production was lower in the first quarter of 2021, compared to the fourth quarter of 2020 due to lower gas deliveries. As we mentioned last quarter, we consolidated production under two larger Motunui plants and idler Waitara Valley plant indefinitely. We estimate production in New Zealand for 2021 of 1.5 million tonnes. The upstream gas sector will be completing several field development projects that are expected to improve gas availability over the coming years.

In Geismar, our production in the first quarter was lower than the fourth quarter, because we completed a planned turnaround at our Geismar 2 facility. Winter Storm Uri in February did not significantly impact the site. Following the turnaround, our Geismar facility has been running extremely well and we have achieved record production levels at this site. We completed the debottlenecking project work at Geismar 1 plant in 2020 and we expect the Geismar 2 debottlenecking project to be complete in mid-2021. As a result, our operating capacity for our Geismar facilities will increase to 2.2 million tonnes from 2 million tonnes, an increase of 10%.

In Trinidad, our production in the first quarter was higher than the fourth quarter as planned turnaround activities impacted production in the fourth quarter. Based on current gas deliveries, we estimate production in Trinidad for 2021 to be 1.1 million tonnes, reflecting Methanex interest.

In Chile, our production in the first quarter was higher than the fourth quarter, as our Chile I plant ran nearly at full operating rates. Our Chile IV remains idle due to gas supply constraints driven by upstream production declines in Argentina. We typically experienced lower gas deliveries in the Southern hemisphere winter months, impacting our second and third quarters and it is uncertain how long these lower gas deliveries will persist. Our current gas supply is sufficient to run our Chile I plant and we estimate production for Chile for 2021 to be 800,000 tonnes to 900,000 tonnes.

In Egypt, our production in the first quarter was similar to the fourth quarter, as our plant ran at nearly full operating rates. In Medicine Hat, our production in the first quarter was higher as planned turnaround activities impacted production in the fourth quarter.

Turning to our balance sheet, we have a strong liquidity position with over \$850 million in cash, a \$300 billion undrawn revolving credit facility with no debt maturities until the end of 2024. Our disciplined approach to capital allocation has not changed. Over the long-term, we believe we're well-positioned to meet our financial commitments, execute on attractive growth opportunities that exceed our hurdle rate and deliver on our commitment to return excess cash to shareholders through dividends and share repurchases.

A key focus for us in 2021 is deciding on the next steps of our Geismar 3 project, a unique project with significant capital and operating cost advantages. We have a robust decision making process for evaluating the project. Before deciding whether to restart construction, management and our board will carefully consider many factors, including the strength of the global economic recovery and the overall methanol industry outlook, our financial position and our ability to execute on the project. We expect to decide on the next steps for the project later this year.

We are encouraged by the favorable industry conditions that we have seen so far in 2021. We continue to monitor industry operating rates and new capacity scheduled to start up later this year, and the impact on the current global supply demand balance. We are optimistic that the global economic recovery will accelerate as vaccines rolled out worldwide and as governments announce additional fiscal support measures. For now, we continue to prioritize liquidity and financial flexibility to best position ourselves to deliver long-term shareholder value.

Now turning to the outlook for the second quarter. We expect realized methanol prices in the second quarter of 2021 will be similar to the first quarter, based on our posted prices so far. We forecast that our second quarter production will be similar to the first quarter. We anticipate similar adjusted EBITDA results in the second quarter compared to the first quarter. We continue to focus on operating our plants safely and reliably, delivering secure and reliable supply to our customers and protecting our financial flexibility. We are well-positioned to deliver long-term value to shareholders.

We'd now be happy to answer questions.

Kim Campbell

Director-Investor Relations, Methanex Corp.

Operator, we're ready to answer questions now.

QUESTION AND ANSWER SECTION

Operator: Thank you. Sorry, I was on mute. Thank you. We will now take questions from the telephone lines. [Operator Instructions] Our first question comes from Jacob Bout, CIBC. Your line is open. Please go ahead.

Jacob Bout
Analyst, CIBC World Markets, Inc.

Hi. Good morning, John.

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

Good morning, Jacob.

Jacob Bout
Analyst, CIBC World Markets, Inc.

First question here just about the some pretty decent free cash flow in the quarter. Maybe just talk about priorities for capital allocation, share buyback, dividend, investment in Q3?

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

Yeah. So, nothing has really changed, Jacob, in our strategy about capital allocation. We are prioritizing financial flexibility and liquidity at this point, as we come out of the pandemic and get clarity on demand and certainly, supply is much more understood. But really, three reasons for cash, nothing's really changed. We'll take some cash to grow the company in line with how the market grows. As long as we can find projects that exceed, our hurdle – or meet or exceed our hurdle rate, which certainly Geismar 3 does. And then we'll also take a balanced approach to return additional excess cash to shareholders through a dividend and buyback. So, nothing's really changed in our capital allocation strategy.

Jacob Bout
Analyst, CIBC World Markets, Inc.

Would you put G3 ahead of increasing dividend?

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

Well, again, we take a balanced approach, so we've looked at over the last period. I think returned \$2 billion through dividends and share repurchases and growing the company double its size by investing similar amount of money. So, obviously, when we're doing a brownfield or greenfield project, depending on the price of methanol, most of the free cash would go to constructing a project. But above \$300 a tonne realized, we can complete G3 and have additional cash for distribution. So, a lot will be determined by what the actual realized price from methanol will be.

Jacob Bout
Analyst, CIBC World Markets, Inc.

Are you still looking for a partner at G3?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. Our preference is still to have a partner for G3 and we're pursuing that.

Jacob Bout

Analyst, CIBC World Markets, Inc.

Q

I'll leave it there. Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Thanks, Jacob.

Operator: Thank you. Our next question from Ben Isaacson, Scotiabank. Your line is open. Please go ahead.

Ben Isaacson

Analyst, Scotia Capital, Inc.

Q

Thank you, and good morning, everyone. John, first question is on the discount rate came in at roughly I think it was \$18.8 million, Methanex had guided for around \$17 million for the year. Does that mean that we need to increase that discount rate for the year or do you expect it to fall below \$17 million in the back half of the year to get to that guidance?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. Ben, we haven't changed our guidance at this point, and I think what's important is to look at the realized price for methanol. When we make pricing decisions around the world, we're trying to optimize the realized price for all markets. And when I look at the quarter there's some anomalies, we have one posted price, for example, for Asia-Pacific. And based on freight differentials and sanctioned product only allowed to go to China, there was some additional pressure in China this quarter, still a very nice realized price in China.

But when you look at it compared to Asia and one posted price, it really did impact our discounts. But I'm really happy with how we came out of the quarter, our realized price at \$363 as our best realized price since Q3 2018. So, I think to me, there is a lot of focus on the discount, but when we make our pricing decisions globally, we're not focused on hitting a target of X percent on the discount. We're trying to maximize the overall realized price for the company.

Ben Isaacson

Analyst, Scotia Capital, Inc.

Q

Thank you. And then just a follow up, maybe an indirect question on G3. Can you just talk about how important market share is to Methanex when you look at produced tons, commissioned tons, purchased tons? I know, in the past, you'd been roughly about 14%, 15% market share of the methanol market. That's obviously come down a bit with Titan, Chile IV and Waitara Valley idled right now. Can you talk about how important that market share is in terms of your ability to kind of influence where methanol tons are going and how that impacts you?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

I think what's important, Ben, is leadership. And we've been the clear leader in this industry, not just on marketing but safety responsible care, logistics, proving our new technologies. I could go on forever. But we're the clear leader. So, leadership is really important. The industry structure is nice. We like the nature of the industry structure. So, we think leadership is important. Market share is part of that. But we don't get hung up on a particular market share target. But leadership is more important.

You're right to point out we've had some issues in Trinidad, Chile and New Zealand. But I can go back to last 15 years and Medicine Hat was closed, we didn't have any production in the United States and we were suffering and we had four plants in Chile and zero or maybe almost zero in New Zealand. So, this is kind of part of our business. It seems like we always have issues somewhere. We have 11 plants running and we're always trying to optimize leadership position as opposed to market share.

Ben Isaacson

Analyst, Scotia Capital, Inc.

Q

That's great. Thanks so much, John.

Operator: Thank you. Our next question, Nelson Ng, RBC Capital Markets. Your line is open, please go ahead.

Nelson Ng

Analyst, RBC Capital Markets

Q

Great. Thanks and good morning everyone. First question relates to G3. Have you – I presume you're looking into it now, but in terms of the labor market it's pretty hot. Can you just comment about the labor market in the Gulf Coast and what you see there, if you're seeing any cost pressures?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I'll turn the question over to Mike Herz. He's our Senior VP, Corporate Development. He's obviously the one that's really in touch with that market down there. So, Mike.

Michael J. Herz

Senior Vice President-Corporate Development, Methanex Corp.

A

So, we've seen changes in activity over the last year, I'd say. We saw a dip, obviously, as COVID kicked in and we saw prices come off for labor materials. And we see more activity today as people see a recovering economy. I'd say, from our perspective, I think it's about where our expectation would be that G3 would be about where we had it before we went into care and maintenance.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I would just add Nelson that we've just completed a turnaround there on G2. So, we used a lot of labor to do that. And certainly, our experience was labor productivity and availability as well as costs. But not any different. We completed that turnaround ahead of schedule and under budget. So, I think that's a really good indicator of the labor in the market today. I think one of the challenges when we look to make the G3 decision that may not be the case a year or 18 months from now, as things could get quite heated as economic activity picks up and we could 18 to 24 months from now would be competing for labor.

And not all labor is created equally. We'll use different labor at different stages of the construction projects. I think what's important is to be ahead of the curve when you're thinking about. And I think today when I look at G3, the engineering is complete, all the equipment is pretty well purchased. So, it's really a – what I call a Lego project. Now, it's taking all the pieces and putting them together, so the project has been significantly de-risked and it's just around productivity and hourly rate.

So, we'll think about all those things as we make a recommendation to our board about the G3 project later this year. Also, we built two plants or transferred two plants from Chile to there in the last five to seven years. And we're very familiar with the labor in that area. The construction labor, the firms, and we have the top notch firms in the area that we're working with. And we expect if we do restart the G3 project to get there A team, which I think is really important and those are some of the things that we'll think about as we make a decision.

Nelson Ng

Analyst, RBC Capital Markets

Q

And if you were to restart construction, would you be looking at 2023 or 2024 completion date?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. It's 24 months, it's our current view. From the day we say we're going to go, about 24 months.

Nelson Ng

Analyst, RBC Capital Markets

Q

Okay. Great. I'll leave it there. Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Thanks, Nelson.

Operator: Thank you. Our next question, Matthew Blair, Tudor, Pickering, Holt. Your line is open. Please go ahead.

Matthew Blair

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

Q

Hey. Good morning, John. I had a question with regard to the guidance, I think you mentioned similar production quarter-over-quarter. I guess I thought it would have been a little higher with Geismar coming out of turnaround. So, what would be coming down here, should we think about lower production from Chile and this may be anywhere else?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I think I said in my remarks, Matthew, that we're coming into the winter months in Chile and we always expect to get lower gas deliveries because the more gas is diverted for heating in that part of the world in the wintertime. So, we expect to run the Chile I plant through the winter, but probably get lower gas deliveries than we did in Q1.

Matthew Blair

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

Q

Got it. And then, your recent contracts for May in Asia and North America indicate better price moves than what the spot market was showing and I think in the past you mentioned, it's not a perfect link that spot market can be pretty small and illiquid at times. But could you just talk about what you're seeing in your business that would support stronger contract pricing relative to what we're seeing in the spot market.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, we're seeing very tight markets, very low inventories and demand improving. So, those things usually contribute to a good pricing environment. I'd say in the Atlantic Basin, which is Europe and North America, you're right to point out very small illiquid spot markets. So, they're somewhat indicative, but they don't really move markets. For example, most of the business is contracted. So, what's more important is the availability of product getting there to our customers on time, on spec.

As their businesses improve, they're worried about their supply chains and their supplier's ability to meet their needs. And I'd say, this dynamic is really illustrative that global supply chains have really been impacted and you can look at a long list of things in North America that aren't available today because of supply chain disruptions and just not enough material to go around whether that's recreational vehicles, lumber, I could go through a long list of things that have been impacted.

So, I think availability of methanol, the reliable supply is being prioritized over price today. Having said that, in China, there is a real liquid spot market and I mentioned earlier that sanction products can only make its way to maybe China and India. So, depending on how well that sanction product operates, we can see instances where more product arrives and can only go to a couple of places. We don't sell in India, but we do sell a lot in China, which does impact the supply-demand balance and can lead to some pressure on pricing in a short-term period.

But, overall, when we look at Asia, besides China which is probably fairly balanced, the rest of the markets are tight and as demand recovers, we're going to need some new supply whether it's existing supply to operate better or new supply coming on in the way of the coke methanol plant to keep things balanced. So, it's all about demand and I've seen IMF forecast for 6% GDP growth this year and maybe 5% next year and the US reported 6.3%. So, I think those are all really positive numbers and will lead to good demand for methanol. So, to me, it's all about reliability and being able to service the demands of our customers.

Matthew Blair

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

Q

Great. Thank you.

Operator: Thank you. Your next question Mike Leithead, Barclays. Your line is open. Please go ahead.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

Great. Thanks. Good morning, John.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Good morning, Mike.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

I wanted to drill down first a bit on demand into the energy markets. I think in the release you highlighted the strength in MTO. But just wondering what you're seeing in other energy applications. Obviously, given the rise in oil prices and what seems like a rapidly growing desire in the world of late for a cleaner burning fuel application? So, just curious what you're seeing in there?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. You're right to point out MTO has been quite strong. We saw some growth over Q1, 2020. And it's the one bright spot through the pandemic. It operated really well in the 90% rates and olefin prices continue to be quite strong. So, we would expect those MTO plans to continue to operate quite well. If I look year-over-year on the – what we call other energy, there's been growth there as well. So, I think there is more room to grow there, especially on things like MTBE. People have not been driving as much as they normally do in the pandemic. I'd say China's kind of back to normal, pre-pandemic levels for driving, et cetera.

And with the recent change in the E10 standard to E5, there's a lot more room for MTBE in the fuel pool there, which should be good for demand. So, the traditional applications which make up about 50% of methanol demand are driven by GDP and lots of good signs there right now. So, hard to predict the future, but certainly we're seeing a lot of things lining up to see a favorable demand environment, especially as vaccines roll out and as – already we've seen vaccines roll out in places like the United States and our Geismar area, we've seen cases go way down quite significantly quite quickly.

So, our anticipation is vaccines will continue to roll out and we will see increased economic activity and probably a lot of pent-up demand that should resurface. But, again, it's hard to predict the future. But certainly in a better spot today than this time last year.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

Great. That's helpful. And maybe just for my follow up question on the G3 decision, I apologize in advance if I'm overly parsing words here. But I think last quarter you said, final decision by summer. Today, I think you said later this year. So, with some of the uncertainty in the world, is that being pushed out at all, or I'm just reading too much into it?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

No, I think you're reading too much into it. We have our strategy session with the board each summer. I think I signaled last quarter that we'll plan to make a recommendation to our board at that time. And that's still the plan.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

Fair enough. Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

But having said that, Mike, if we make a positive decision, there'll be a bit of ramp-up time right. So, that's why we're saying later this year. If there's a restart, if there's a further delay, then obviously there's a further delay. So, we're not in a position to make that decision today. But we will make a recommendation by the summer.

Michael Leithead

Analyst, Barclays Capital, Inc.

Q

Thank you very much.

Operator: Thank you. The next question, Eric Petrie, Citi. Your line is open. Please go ahead.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning, John.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Good morning, Eric.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Q

So, I think your estimated global ethanol demand up 5% this quarter. Same period last year, it was down 7%. Was Chinese New Year about the same and can you give an estimate as to how Uri impacted methanol derivative demand in the US?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, we're not back to pre-pandemic levels yet. I think I mentioned that in my opening remarks. Q1 is always a softer quarter. I mean, there's not a lot of variability in our business, but because of Chinese New Year and the huge impact of methanol demand in China, it's always a little bit below, let's say, Q4 or Q2. So, when we look at Q1- sorry, versus Q4 last year, 2020, demand was down about 2.5%, but year-over-year 5%. So, we're still not back to pre-pandemic levels, but we're pretty close. And we anticipate, as I mentioned, we'll get back there later this year. So, that's our current view.

But having said that, we've now five quarters of lost demand, we forecasted demand growth as we entered 2020 at about 3% to 4%, which is around three to 3 million tonnes to 3.5 million tonnes a year and we've lost that. So, does that come back quickly or slowly? It'll be a guess, but certainly what we're seeing now is signs and demand could pick up nicely and get back to pre-pandemic levels sooner rather than later. But we'll continue to watch it and certainly adjust accordingly.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Q

And I don't know if I heard you say, did you have an estimate for the Uri impact in terms of demand disruption?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

In the US? Sorry.

A

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Yeah.

Q

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

Yeah. Down 6%.

A

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Okay. And then as a follow up question, a competitor in Trinidad announced short-term gas agreements to restart their methanol plants. Could you do the same and then work towards a longer term agreement or what's the strategy there?

Q

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

So, our strategy was that, our five year contract ended at the end of 2019 and we had been negotiating obviously for some time before the expiry of our contract to get something with the NGC and the government that allowed us to stay profitable throughout the cycle. We were able to achieve that. So, we agreed with them to go month by month and no take or pay and we had the ability to shut down as we as we thought, if we wanted to.

A

As we came into the negotiations, we didn't make the progress that we had hoped. And with the pandemic starting up, it was tight and it was one of the only plants that we had flexibility to turn off as well as Chile IV. So, we made the decision to turn it off. We continue to negotiate with the NGC. But I think we've been pretty clear we're not going to restart the plant on a month by month gas situation.

We have to have something more certain, because we'd have to hire people and spend some tens of millions of dollars to restart the plant. So, I'm not sure what our competitor has as far as the month by month. And obviously, it makes sense for them to start off. But for us, we're thinking more medium to longer term and we're still negotiating and we're hopeful we'll get something to allow us to restart that plant. But it's not our current view that that will happen in the short term.

And this is not just a methanol thing on the island. I think the ammonia producers are experiencing the same phenomena. So, there is gas. It's just a matter of negotiating something that makes sense over the methanol cycle to allow us to stay profitable. And we haven't been able to achieve that yet.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Helpful color. Thanks, John.

Q

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Thanks.

Operator: Thank you. Next question, John Roberts, UBS. Your line is open. Please go ahead.

Q

Good morning. This is [indiscernible] (00:31:39) for John. You mentioned low global inventories are kind of persisting in the market right now. What is your sense for when inventory levels can be replenished to normal level and then does this vary by region?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

No, I'd say, we're seeing low methanol inventory levels globally, not only in tanks, but at customers as well. So, I can't predict the future. I wish I could. But inventories will rebuild if there's more supply than demand. When that happens? I really don't know. But right now it will take some time if there's more supply than demand to replenish global inventory.

Q

Thank you.

Operator: Thank you. Our next question, Joel Jackson, BMO Capital Markets. Your line is open. Please go ahead.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

Hi. Good morning, John.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Hey, Joel.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

A couple of questions, I'll do one at a time. Maybe, John, can you reconcile some of your comments on price that you gave. I'm a little confused. So, you gave the guidance in the call earlier that you expect Q2 methanol ASP to be similar to Q1, yet I mean we already know what the postings are for two months into Q2. We know what Europe posted. You're trending \$10 to \$50 a tonne higher than the front couple of months of Q1. You said the discount was a little bit inflated, I think maybe you've given in your own words in Q1. And then later in the call you talked about pricing is up, inventory is down, and dynamic's good. So, how can pricing be similar in Q2 versus Q1?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

I guess, it's your definition of similar. So, we're anticipating similar pricing. It could be better. It's obviously not going to be worse we think, but at this point, our view is similar.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

How would you define similar?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Similar is close to where we achieved in the past.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. The second question I have is, last quarter you gave some guidance that you would do about 6.6 million tonnes of the [ph] attributable (00:33:49) production for the year. This year, you didn't provide that in the release. You gave some other kind of plant by plant or country by country guidance. Is 6.6 million tonnes roughly the same number or is it higher or is it lower for this year?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I don't have that number off the top of my head. I probably have to take that offline, Joel. But I don't want to obviously for competitive reasons release a number that people can bend backward into our turnarounds and what we might be doing. So, I'll take that off line with you.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

And may I just ask why it was okay to you? Why were you comfortable releasing it three months ago, but not now?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

I think when we look at our turnaround schedule and where our productions are region by region, we've got a lot more volatility today. We weren't expecting what happened in New Zealand. Obviously, Chile is a bit of a – with no Argentinian gas, a bit of a wildcard. So, we're not that comfortable in being specific about that right now.

Joel Jackson

Analyst, BMO Capital Markets Corp. (Canada)

Q

Okay. Thank you very much.

Operator: Thank you. Our next question, Hassan Ahmed, Alembic Global. Your line is open. 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 I. Ahmed

Analyst, Alembic Global Advisors LLC

Q

John, I wanted to just revisit demand. You made a couple of comments, obviously, your year-over-year demand was up, but sequentially down 2.5%. And I know there are obviously a bunch of moving parts, Chinese New Year's and the like. And obviously the negative impact of Uri. But as I sort of take a look at product economics, I mean the olefins, polyolefins side was super strong in Q1. I would imagine MTO margins were super strong, [ph] asset yield (00:35:40) margins are very sort of strong as well. So, just trying to reconcile where that sequential demand reduction came from? Would you sort of just exclusively attribute that to URI and ex-URI demand possibly would have been sequentially up or were there other factors?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Just so we're clear, are you talking about Q4 2020 versus Q1 2021?

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Q

Correct.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, the demand that was lost was mainly in China.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Q

Okay.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

When you look at Q4 2020 versus Q1 2021, there was about 400,000 tonnes less demand in China and that was all in the traditional methanol derivatives.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Q

Understood, okay. All right. And now moving on, again, Q1 a bit of a quirky quarter because of be it sort of COVID, be it URI and the like. Just uh just sort of trying to get a better sense of whether or not you saw any meaningful changes in trade flows. And if I could sort of parlay the Iran side as well into this question as well, because obviously new administration in the US, I'd like to think sanctions wouldn't be as rigid as they were over the last couple of years. So, are you seeing any meaningful trade flow changes? And how are you thinking about Iran going forward?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

I'd call it quirky as well on the trade flows. So, we're seeing product come into North America from areas that we are traditional, let's say. So, that's quirky to me, tells me that there's not enough material in North America to satisfy demand today and if demand grows, I'm not sure where it's going to come from. Coke will start up at some point and probably need it is what I would say if demand continues to increase like we're seeing.

With Iran, I think the relationships are still strained. Again, I can't predict the future. I'm not a geopolitical expert. But is it going to be solved tomorrow? I don't think so. If it gets solved tomorrow, it takes a while to readjust supply chains. I've mentioned already there's not a lot of spot market in North America and Europe. So, let's say, everybody's happy tomorrow. We're all friends again. It'll probably take a contracting season for Iranian product to start flowing again to Europe and Korea and places where it used to.

So, I don't know how it's going to resolve itself with the nuclear deal. There's talking going on, but I'm not on the inside of those talks and how onerous they are and what's on the table. So, again, we'll watch what actually happens and then make some judgments about what might happen over time, if things normalize. But I think it's too early to make any definitive plans there, Hassan.

Hassan I. Ahmed

Analyst, Alembic Global Advisors LLC

Q

Very helpful, John. Thanks so much.

Operator: Thank you. Our next question is from Cherilyn Radbourne, TD Securities. Your line is open. 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

John, I was hoping that we could revisit your view of the mechanical state of the industry supply, if I could express it that way, after a year of COVID. And just how that's influencing your view of pricing for the rest of the year?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I can only talk about our operations. I can't really talk about our competitors, because I would be speculating and I don't like to do that. We've now conducted three turnarounds in the COVID environment, extremely difficult. The provisions you have to put in place to keep everybody safe are quite onerous. I'd say regular maintenance day-to-day on plants is very difficult, as well we have minimal people on-site during the COVID environment. So, the maintenance that we'd normally do is probably are a lot less in the COVID environment than the non-COVID.

I think when we look at our turnarounds getting experts into the country, it was really challenging in places like Trinidad, and usually when we do a turnaround, we'd have 50 people or 30 to 50 people of our own people coming from Egypt and Chile and New Zealand, with their expertise to help us do the best possible job on the turnaround, because when you do a turnaround, you're doing a lot of maintenance. You're not just changing catalysts, but you're fixing a lot of the things that you've accumulated since the last turnaround.

We're also doing a lot of inspection. So, keeping plants reliable is really based on maintenance, but also inspection, finding problems before they make you go down for unplanned reasons. So, when you don't have all these experts coming in whether they're your own or your vendors that have a lot of expertise, you really don't have the same depth of inspection capability and expertise. So, all of this I think leads to probably potential of having poor reliability over time.

Then you have countries like Iran, as we've talked about, have sanctions. So, whether they get people in or out of their country or not, they can get maybe the materials and the catalysts and different things that they need to do turnaround. So, it's complicated. We don't talk about the detail here at these calls about a turnaround, but you have 1,800 people onsite for 60 days doing a whole lot of work that's been planned for two to three years. So, it's really a complicated issue.

And I'd say, we are seeing plants being less reliable and nothing I see out there that would change my view on that today. But again, it's really hard to predict the future, but I think when we look at our own experience, it's been really a challenge to do regular maintenance and turnarounds.

Cherilyn Radbourne

Analyst, TD Securities, Inc.

Q

Okay. That's helpful. Also wanted to get your perspective on the potential for methanol as a marine fuel and what you think investors should watch to judge the momentum there, which clearly seems to have picked up with interest from Maersk?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, I know we get labeled as an old, boring chemical company, single-product chemical company, which I don't mind. But I'll talk about innovation and R&D. I remember being at the forefront of the standard conversion on methanol, way back when I don't remember being in front of investors and things never going to happen, never going to work what are you guys doing. And then we decide it with our own ships to prove out the technology, the dual-fuel capability and a lot of naysayers at that time and it's going to be LNG, it's going to be scrubbers. Methanol is never going to find its way into that space and here we are.

We'll have 60% of our fleet running on methanol over the next one to two years and companies like Maersk and others making the same commitment that all of their new vessels will have this dual-fuel capability. So, I think it's really exciting. I think it's a great example of our team being innovative, proving out technology and not listening to the naysayers and the thing works. And the thing is flexible that you can use ultralow sulfur diesel or methanol and ships last 15 to 25 years, so they'll have this capability for the life of the ship. And the big winner here is that there is a pathway to green methanol. There is a pathway to having 100% renewable methanol. I know that's really important for a lot of our customers and for people looking to make choices on fuels, it's not just for today, but it's for the future.

So, I think it's really interesting that big companies are now jumping onboard and making significant commitments to methanol as a fuel. I've always said, it's not like boilers, it's not like fuel blending. You can have demand change overnight, but this is as ships get built and used, so I've always said it's a mid-decade demand driver. So, by 2025, we think the demand for methanol for this application will be good.

Cherilyn Radbourne

Analyst, TD Securities, Inc.

Q

And are there any milestones that we should be watching in the short-term to gauge that?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Well, I think where are people spending their money, where are they making their investments and there's been a couple of very large shipping companies recently have made a commitment that all their new vessels will be dual-fuel. And we've seen our competitors like Proman building ships that have this dual-fuel capability. Each one of our ships that runs 100% on methanol is 10,000 tonnes to 12,000 tonnes per year of demand, and if 60% of our ships are running on it, that's a demand of around 150,000 tonnes to 200,000 tonnes. So, in the big scheme of things, not significant, but I think the growth potential is what I get excited about. And once you have this capability, it's there for the history of the ship. So, pretty interesting development and will be a driver demand into the future.

Cherilyn Radbourne

Analyst, TD Securities, Inc.

Q

Thanks. That's all for me.

Operator: Thank you. Our next question Bernard Horn, Polaris Capital Management. Your line is open. Please go ahead.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

Hi. Good morning.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Good morning.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

Two questions, first on New Zealand. Is there any new update on the causes and resolution of the situation there? I'm kind of – it seems like it's a very strange one. And I have a follow up on G3.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. Bernie, we don't have any more information than what we've already shared. We know that the suppliers that have run that field, the [indiscernible] (00:45:59) field are bringing in rigs to do some onshore drilling, but that will take some time. They tell us they are optimistic, they can get back to rigs that they had before. But until it

happens, we're guiding to where we are, but there needs to be some drilling to correct what's happened with the field.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

Okay. Thanks. And on G3, when you first commented on the trade-off between starting earlier or later, it seemed like there was some incentive to perhaps getting going earlier. But in your last remarks, it sounded like you were – it wasn't so easy to get things going right now. So, I guess there's that reconciliation in your comments there. But, my broader comment is – are you – in the post-COVID world, do you see any fundamental changes in demand? And likewise on the supply side that would mean putting the G3 online might be better to do it a little bit later or earlier in that respect?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. We have a good view on supply. So, post the Gulf methanol plant coming on, there's not a lot in the next three to four years. So, in the COVID environment, nothing has been moved along and nothing has been sanctioned or under construction. So, not a lot of supply coming on in the next three to four years. I think the bigger question is demand. So, we'll have to come to a view on what demand looks like over the next one to two years. And then as G3 comes up, what it's going to look like in 2024. So, that's part of the work streams that we're working on, Bernie. And we don't have a view on that today. But that'll be a key consideration whether we decide to restart later this year or not.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

And lastly, how do you anticipate G3 might interplay with your purchased methanol?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, our goal is to have about 20% of what we sell being purchased and the other 80% being our equity molecules. Obviously, this quarter that's changed a little bit because of losing production in New Zealand and in Chile and Titan as well. But I think that's our goal. So, if we had a view that we delay G3, then probably if we didn't have any more product or additional production on New Zealand and Chile, then we'll probably look at our sales mix in the medium-term. But certainly, early days, but our goal is to have 20% of our sales on spot and commissioned product.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

Okay. And the G3 wouldn't affect that 20% going forward?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

That's right. I mean, we'd lower obviously where we are today on our spot and commissioned sales and we'd probably grow our position a little bit as well.

Bernard Robert Horn

Analyst, Polaris Capital Management LLC

Q

Okay. Thanks. That's all for me.

Operator: Thank you. Our next question from Jason Crawshaw, Polaris Capital Management. Your line is open. Please go ahead.

Jason Crawshaw

Analyst, Polaris Capital Management LLC

Q

Hey, John. Quick question here just on the supply side. If you think about how much capacity was idle by the industry I guess over the last kind of 6 or 12 months relative to how much could come back online fairly easily if you can just give me a rough estimate of how many tonnes that would be helpful?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. I don't have that number off the top of my head, Jason. I'll have to get that number to you. But the operating rate of the industry was lower in the last two quarters than traditional. Is that sustainable going forward? I really don't know. But I can get you the number specifically about loss production versus what we call average or normal.

Jason Crawshaw

Analyst, Polaris Capital Management LLC

Q

Got it. Okay, it's good. I mean ultimately the question will be if demand is, we've talked about greenfield new capacity being fairly limited for the next couple of years and if demand is strong, I'm just interested to know how much basically latent supply could come meet that demand. But yeah, if you can get back to me with that number, that'd be helpful. Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. What I would say, Jason, is that at current pricing, we would expect anybody that can run would be running.

Jason Crawshaw

Analyst, Polaris Capital Management LLC

Q

Yeah, yeah.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

So, it's not like the supply offline, because the economics aren't favorable. So, in a price environment of \$363, every single plant in the world that can run should be running. So, the question for me is, what are the issues and can they get them resolved and be more reliable? And I don't know. But just on average, if I look at the overall operating rates, we were down a couple of percent to Q1 2021 versus Q4, 2020. So, a couple percent on the – in an 85 million tonne market. So, what's that 1.5 million tonnes, something like that.

Jason Crawshaw

Analyst, Polaris Capital Management LLC

Q

Yeah. And just I guess from my own education, how long does it take to kind of – as you idle a plant, right, how long does it take to restart?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Depends on how you idle it. If you idle it with the intention of preserving it and restarting it at some sometime in the future, probably 60 to 90 days, I would guess, if everything was to go right. It depends on hiring people and a lot of factors as well.

Jason Crawshaw

Analyst, Polaris Capital Management LLC

Q

Yeah. Thank you.

Operator: Thank you. Our next question, Chris Shaw, Monness, Crespi. Your line is open. Please go ahead.

Christopher Lawrence Shaw

Analyst, Monness, Crespi, Hardt & Co., Inc.

Q

Yeah, hi. I think quick one just on shipping. I assume the market seems pretty tight there and I assume your tankers are running full both ways. Is the benefit there ever meaningful enough to margins that we see something significant there, or is it just a little nice, little additive thing that you're doing well on the shipping side as well?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. The backhaul that we do, which is about 30% to 40% of all the cargos we carry are not methanol and they're backhaul. All of that revenue goes into cost of goods, so it's netted out in our logistics costs. So, it's for us meaningful. Millions of dollars to me is still meaningful. Hundreds of millions are more meaningful, but it's not hundreds of millions. So, I think you can take a number of 30% to 40% of what we carry, you know our tonnage on our ships and you know the rates for liquid chemicals.

So, you could back into a number pretty quickly, but that shows in our cost structure not as a revenue line. So, quarter-over-quarter, depending on the market rates for spot cargos and COA cargos, it might change 10% or 20%, but it's not going to drive huge changes in our earnings. But it's a great business we have and our team's done an excellent job in developing that and gotten really good at cleaning our ships. So, we haven't had an off spec cargo since we've been doing this. So, our team deserves a lot credit there.

Christopher Lawrence Shaw

Analyst, Monness, Crespi, Hardt & Co., Inc.

Q

Great. That's all I had. Thanks.

Operator: Thank you. Our next question is from [indiscernible] (00:53:27). Your line is open. Please go ahead.

Q

John, good evening and good morning to you. Probably not a surprise to you to get there from one of the largest shareholders, but allow me to go back to the very first question around cash, cash flow, and return of capital. So, first question is, so you're guiding Q2 to \$250 million EBITDA. You just print it, if I get it straight \$160 million operating cash flow. So that's roughly 70% operating cash flow conversion. I think you printed around \$100 million of free cash flows, so that's a 50%.

Now I see that you had a working capital swing of \$86 million. I assume that to blow up both accounts receivable. So, first question is, how do you guide, if you guide to \$250 million EBITDA, is it fair to say you go back to what you guide anyhow around 70% to 80% free cash flow conversion, or \$150 million to \$200 million additional cash coming in this quarter which is almost done?

And then the second question, if you allow me, we've been through that. If you look at the G3 stack, I do appreciate there is no decision. Although, you know what our recommendation is. So, if I got the number straight, you announced a \$1.4 billion, total CapEx, \$400 million has been spent. You just announced the \$60 million is going to be done. So, that leaves me with a \$900 million CapEx left. And if I get it straight just to ask you straight, you got \$624 million construction loans, so you could build G3 just with the existing construction loan and to revolver and then you still sit on a \$860 million cash that will go to hopefully within amounts to \$1.2 billion.

So, how does that leave altogether? Are you sitting on a lot of cash, you increased the interest expenses, executive compensation is \$18 million and you're only paying out of \$10 million dividend per annum. And when you think that will be increased? Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, our capital allocation hasn't changed. As I mentioned already, our current view is to prefer liquidity at this time and financial flexibility, we will look at what our opportunities to lower our debt and our leverage. I think that's one thing that we'd like to do. We've seen three significant black swan events in the 11 and 12 years. So, that's had a huge impact on our view of our debt levels.

I think the cash on the balance sheet that that will carry will be more than what we have had in the past, especially as we go into looking at projects. But we'll continue to have a balanced approach, depending on prices above \$300 methanol as you pointed out how we generate free cash even with the investments in a project like G3. So, we'll look at all of the above and we're not going to hoard cash, but we'll keep a little bit more than traditionally we have on the balance sheet. And we're favoring probably paying down debt as well at the same time. So, I'd say stay tuned and if prices stay where they are today we're going to have lots of money and lots of cash to build projects and distribute through dividends and share repurchases.

Certainly, we're thinking about how to return cash to shareholders. We did make the decision to cut the dividend which is a very really difficult decision for us, never done that before since we instituted the dividend. And conditions were that we thought that was the right move at the time. So, there'll be again to continue a balanced approach between dividend and share repurchases. So, nothing has really changed, but if we continue to have this pricing environment, we'll have lots of cash to do lots of things with.

Q

Right. You allow me go back to the first question, because you just answered the second one, so the \$86 million?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So [ph] Rolan (00:57:55), it's Ian Cameron speaking. I'm the CFO. I don't think we've met but, yeah, you're right, we did have a working capital build and that's something that's natural when you have a increase in

methanol prices. So, our cost of inventory goes up a little bit because of our gas arrangements where we share the upside with the gas supplier and also our receivables as you mentioned in your remarks.

And so as you go into a more steady environment you wouldn't see that anymore, it would flatten out and of course if methanol prices fall, you have the opposite effect. So, there's a working capital release. So, you were accurate in describing the nature of the \$86 million.

Q

Okay. Appreciate it. So, John, sorry to go back to the second one, one more time, but maybe the last one. So, what needs to be happening from now to a decision on the dividend?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Well, I think we need to see demand recovery which should lead to a positive price environment. And then, we'll have to look at our dividend and make sure that we think it's sustainable through black swan events like we just saw. So, what level that is, we haven't decided yet, but I think there is room to grow the dividend from where it is today, if we get back to a more normal pricing environment, which today if we knew that the pricing today was going to be similar for the next three or four years that would be an easy decision to increase the dividend, but we're not quite there yet. We'd like to see how demand recovers and like I said in my earlier comments, things are looking positive but we'd like to see a little bit more recovery in demand and see how vaccines roll out in more normal business conditions.

Q

Okay. Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Thank you.

Operator: Thank you. The last question Steve Hansen from Raymond James. Your line is open. Please go ahead.

Steven Hansen

Analyst, Raymond James Ltd.

Q

Yeah. Thanks, guys. I'll round it out here. John, just one comment you said earlier struck me as interesting is that you're selling a lot of product to China now. I can remember a time where you sold very little product to China. How do you think about that environment going forward, given that it is one of the bigger growth markets and you're contemplating a new capacity coming in, of course, in the Gulf. So, is there additional infrastructure that you would need to service those kinds of growth markets, the tankage, terminals, storage of some sort, I mean, how should we think about that just given sort of the regional location there?

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Yeah. So, we'll need a few more ships which obviously that we've looked at and have in the pipeline. The nice thing about when we buy ships or invest in ships, we have ships coming to their end of their time charter all the time. So, we have a lot of flexibility in there, but we'll need a bit more ships and probably a bit more tankage as well. We're targeting all of G3 to go to Asia at this point and that's our current planning, but getting tankage we think is something we can achieve.

We're not worried about having enough storage space. A quite few of our deliveries as well are direct-to-customers. So, our logistic teams does a super job on planning out what we're going to need and the nice thing about the G3 is, we still have 24 months in front of actually making product once we decide, if we decide to restart the project. So, I'm not really that worried, Steve, about logistics. Our team is really experts in this area and we have lots of flexibility and lots of options to meet the needs of what we will have from a production capability.

You'll have noted our production, because of Titan and Chile and New Zealand is lower as well. So, we still have those with those commitments for logistics today. So, I think net-net, if you look at Geismar 3 versus what we've lost, it's not that much more incremental production, so incremental logistics is not going to be a key concern for us going forward.

Steven Hansen

Analyst, Raymond James Ltd.

Q

Okay. Very good. That's helpful. I'll just close by saying methanol markets are really boring. So, don't worry.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

A

Thank you.

John Floren

President, Chief Executive Officer & Director, Methanex Corp.

Okay. Thanks everybody. Methanol is an essential chemical building block used to brew many consumer and industrial items. It's used to make chemicals that form the basis of products, used to construct and insulate our homes, automotive components to make cars lighter and improve fuel efficiency and then the technology will allow us to stay connected. Given methanol is essential for countless consumer and industrial applications is important as a clean burning and an economic fuel, we continue to believe that long-term outlook for methanol remains intact.

We are encouraged by the favorable industry dynamics that we've seen so far in 2021. We remain focused on operating our plants safely and reliably, delivering secure and reliable supply to our customers, ensuring we maintain financial flexibility to deliver long-term value to shareholders. Thank you for joining us today. We'll speak with you again in July. We thank you for your interest in our company.

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

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