Sempra Announces Strategic And Financial Update

September 27, 2021

- Sempra meets closing conditions for sale of non-controlling interest in Sempra Infrastructure
- Southern California Gas Co. (SoCalGas) announces agreements to resolve Aliso Canyon litigation
- Sempra guides to the upper end of 2021 adjusted EPS guidance range and reaffirms 2022 EPS guidance

SAN DIEGO, Sept. 27, 2021 /PRNewswire/ -- Sempra (NYSE: SRE) (BMV: SRE) today announced developments related to its strategy and financial performance.

"At this point in the year, we are pleased with our progress on several key strategic initiatives, including the timing of closing for Sempra Infrastructure, ongoing efforts to reduce litigation risk and improved visibility to the company's financial outlook. With all third-party transaction approvals received and material conditions satisfied, we have scheduled closing on our partnership with KKR on Oct. 1," said Jeffrey W. Martin, chairman and CEO of Sempra. "Also, today's announcement by SoCalGas provides a clear path to resolving material legacy litigation, while also reducing the overall risk to Sempra's portfolio."

Sale of Non-Controlling Interest in Sempra Infrastructure to KKR

Through a series of transactions announced last year, Sempra is forming Sempra Infrastructure, a strategic growth platform that is expected to increase shareholder value by consolidating Sempra's energy infrastructure businesses. The new platform will consist of the company's liquefied natural gas business and its ownership interest in IEnova (Infraestructura Energética Nova, S.A.B. de C.V.) and will invest in incremental capital opportunities associated with non-utility transmission and distribution infrastructure.

In May, Sempra completed its stock-for-stock exchange offer to acquire the publicly owned shares of IEnova. Also, earlier this month, Sempra completed its follow-on cash tender offer to acquire the remaining publicly owned shares of IEnova that were not obtained in the exchange offer. Sempra's ownership interest in IEnova is now 99.92%, and IEnova has submitted a request to applicable Mexican regulators to delist its shares from the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V.).

As a next step, Sempra has met all material closing conditions and is scheduled to complete the sale of a non-controlling, 20% interest in Sempra Infrastructure to KKR on Oct. 1. Proceeds from the sale are expected to be used to, among other things, help fund growth across Sempra's capital program, which is centered on its U.S. utilities, and to further strengthen its balance sheet.

Agreements to Resolve Aliso Canyon Litigation

Also today, SoCalGas announced agreements that are expected to resolve substantially all material civil litigation against SoCalGas and Sempra related to the 2015 Aliso Canyon natural gas storage facility leak. As a result of the agreements, SoCalGas will record an after-tax charge of approximately $1.1 billion this month, which will be consolidated in Sempra's third-quarter results. The net, after-tax cash outflows for SoCalGas are expected to ultimately be up to approximately $895 million, after taking into consideration the remaining insurance receivable and other adjustments.

The agreements to resolve the referenced claims are subject to obtaining certain minimum participation levels among the plaintiffs and court approval of the settlement allocation process, among other conditions. For additional information about these agreements to resolve Aliso Canyon natural gas storage facility litigation as well as remaining legal and regulatory proceedings related to the leak, please see the Current Report on Form 8-K filed by Sempra and SoCalGas with the Securities and Exchange Commission today.

Earnings Guidance

In consideration of the foregoing and the continued underlying strength of the company's adjusted financial results, Sempra is updating its 2021 financial guidance. Sempra's full-year 2021 GAAP earnings-per-common-share (EPS) guidance range is updated from $7.41 to $8.01 to $3.83 to $4.43, while the company is also guiding to the upper end of the range for its full-year 2021 adjusted EPS guidance of $7.75 to $8.35. Further, Sempra is reaffirming its full-year 2022 EPS guidance range of $8.10 to $8.70.

Today's guidance demonstrates Sempra's confidence in the continued strategic execution and future growth of the company, as it looks to continue delivering long-term sustainable value for shareholders. Sempra remains focused on building top-tier transmission and distribution infrastructure platforms, executing on its robust capital plan, and growing its future earnings.

Non-GAAP Financial Measure

This press release includes Sempra's 2021 adjusted EPS guidance range, which is a non-GAAP financial measure. See the appendix for additional information regarding this non-GAAP financial measure.

About Sempra

Sempra's mission is to be North America's premier energy infrastructure company. The Sempra family of companies have more than 19,000 talented employees who deliver energy with purpose to over 36 million consumers. With more than $66 billion in total assets at the end of 2020, the San Diego-based company is the owner of one of the largest energy networks in North America serving some of the world's leading economies. The company is helping to advance the global energy transition by enabling the delivery of lower-carbon energy solutions in each market it serves, including California, Texas, Mexico and the LNG export market. Sempra is consistently recognized as a leader in sustainable business practices and for its long-standing commitment to building a high-performing culture including safety, workforce development and training, and diversity and inclusion. Sempra is the only North American utility sector company included on the Dow Jones Sustainability World Index and was also named one of the "World's Most Admired Companies" for 2021 by Fortune Magazine. For additional information about Sempra, please visit Sempra's website at www.sempra.com and on Twitter @Sempra.

This press release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions with respect to the future, involve risks and uncertainties, and are not guarantees. Future results may differ materially from those expressed in any forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this press release. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

Forward-looking statements in this press release include any statements regarding the anticipated benefits of the transactions described herein, the projected impact of these transactions on Sempra's performance or opportunities, and any other statements regarding Sempra's expectations, beliefs, plans, objectives or prospects or future performance or financial condition as a result of or in connection with these transactions. In this press release, forward-looking statements can be identified by words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "in process," "under construction," "in development," "target," "outlook," "maintain," "continue," "goal," "aim," "commit," or similar expressions, or when we discuss our guidance, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations.

Factors, among others, that could cause actual results and events to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: the ability to achieve the anticipated benefits of the transactions described herein; the effect of this communication on Sempra's stock prices; the effects on these transactions of industry, market, economic, political or regulatory conditions outside of Sempra's control; the effects on these transactions of disruptions to Sempra's business; satisfying all conditions precedent to the Aliso Canyon settlement agreements, including the participation of a sufficient number of plaintiffs and court approvals; California wildfires, including the risks that we may be found liable for damages regardless of fault and that we may not be able to recover costs from insurance, the wildfire fund established by California Assembly Bill 1054 or in rates from customers; decisions, investigations, regulations, issuances or revocations of permits and other authorizations, renewals of franchises, and other actions by (i) the Comisión Federal de Electricidad, California Public Utilities Commission (CPUC), U.S. Department of Energy, U.S. Federal Energy Regulatory Commission, Public Utility Commission of Texas, and other regulatory and governmental bodies and (ii) states, counties, cities and other jurisdictions in the U.S., Mexico and other countries in which we do business; the success of business development efforts, construction projects and acquisitions and divestitures, including risks in (i) the ability to make a final investment decision, (ii) completing construction projects or other transactions on schedule and budget, (iii) the ability to realize anticipated benefits from any of these efforts if completed, and (iv) obtaining the consent of partners or other third parties; the resolution of civil and criminal litigation, regulatory inquiries, investigations and proceedings, and arbitrations, including, among others, those related to the natural gas leak at Southern California Gas Company's (SoCalGas) Aliso Canyon natural gas storage facility; actions by credit rating agencies to downgrade our credit ratings or to place those ratings on negative outlook and our ability to borrow on favorable terms and meet our substantial debt service obligations; actions to reduce or eliminate reliance on natural gas, including any deterioration of or increased uncertainty in the political or regulatory environment for local natural gas distribution companies operating in California; weather, natural disasters, pandemics, accidents, equipment failures, explosions, acts of terrorism, information system outages or other events that disrupt our operations, damage our facilities and systems, cause the release of harmful materials, cause fires or subject us to liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance, may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of affordable insurance; the availability of electric power and natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid or limitations on the withdrawal of natural gas from storage facilities; the impact of the COVID-19 pandemic on capital projects, regulatory approvals and the execution of our operations; cybersecurity threats to the energy grid, storage and pipeline infrastructure, information and systems used to operate our businesses, and confidentiality of our proprietary information and personal information of our customers and employees, including ransomware attacks on our systems and the systems of third-party vendors and other parties with which we conduct business; expropriation of assets, failure of foreign governments and state-owned entities to honor their contracts, and property disputes; the impact at San Diego Gas & Electric Company (SDG&E) on competitive customer rates and reliability due to the growth in distributed and local power generation, including from departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation, and the risk of nonrecovery for stranded assets and contractual obligations; Oncor Electric Delivery Company LLC's (Oncor) ability to eliminate or reduce its quarterly dividends due to regulatory and governance requirements and commitments, including by actions of Oncor's independent directors or a minority member director; volatility in foreign currency exchange, inflation and interest rates and commodity prices and our ability to effectively hedge these risks; changes in tax and trade policies, laws and regulations, including tariffs and revisions to international trade agreements that may increase our costs, reduce our competitiveness, or impair our ability to resolve trade disputes; and other uncertainties, some of which may be difficult to predict and are beyond our control.

These risks and uncertainties are further discussed in the reports that Sempra has filed with the U.S. Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on the company's website, www.sempra.com. Investors should not rely unduly on any forward-looking statements.

Sempra Infrastructure, Sempra LNG, Sempra Mexico, Sempra Texas Utilities, Oncor and Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) are not the same companies as the California utilities, SDG&E or SoCalGas, and Sempra Infrastructure, Sempra LNG, Sempra Mexico, Sempra Texas Utilities, Oncor and IEnova are not regulated by the CPUC.

APPENDIX

RECONCILIATION OF SEMPRA 2021 ADJUSTED EPS GUIDANCE RANGE TO SEMPRA 2021 GAAP EPS GUIDANCE RANGE (Unaudited)

Sempra 2021 Adjusted EPS Guidance Range of $7.75 to $8.35 excludes items (after the effects of income taxes and, if applicable, noncontrolling interests) as follows:

- $(1,128) million from impacts associated with Aliso Canyon natural gas storage facility litigation at SoCalGas
- $(69) million impact from foreign currency and inflation and associated undesignated derivatives for the six months ended June 30, 2021[(1)]
- $(87) million net unrealized losses on commodity derivatives for the six months ended June 30, 2021

- $50 million equity earnings from investment in RBS Sempra Commodities LLP, which represents a reduction to an estimate of our obligations to settle pending value added tax (VAT) matters and related legal costs at our equity method investment at Parent and other

Sempra 2021 Adjusted EPS Guidance is a non-GAAP financial measure. This non-GAAP financial measure excludes the impact from foreign currency and inflation and associated undesignated derivatives and unrealized gains and losses on commodity derivatives, which we expect to occur in future periods, and which can vary significantly from one period to the next. Exclusion of these items is useful to management and investors because it provides a meaningful comparison of the performance of Sempra's business operations to prior and future periods. Sempra 2021 Adjusted EPS Guidance Range should not be considered an alternative to Sempra 2021 GAAP EPS Guidance Range. Non-GAAP financial measures are supplementary information that should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. The table below reconciles Sempra 2021 Adjusted EPS Guidance Range to Sempra 2021 GAAP EPS Guidance Range, which we consider to be the most directly comparable financial measure calculated in accordance with GAAP.

RECONCILIATION OF ADJUSTED EPS GUIDANCE RANGE TO GAAP EPS GUIDANCE RANGE

	Full-Year 2021		
Sempra GAAP EPS Guidance Range[2]	$ 3.83	to	$ 4.43
Excluded items:			
Impacts associated with Aliso Canyon litigation	3.58		3.58
Impact from foreign currency and inflation and associated undesignated derivatives[1]	0.22		0.22
Net unrealized losses on commodity derivatives	0.28		0.28
Earnings from investment in RBS Sempra Commodities LLP	(0.16)		(0.16)
Sempra Adjusted EPS Guidance Range	$ 7.75	to	$ 8.35
Weighted-average common shares outstanding, diluted (millions)[3][4]			315

(1) *Amounts include impacts recorded in equity earnings from our unconsolidated equity method investments.*

(2) *Sempra's prior GAAP EPS Guidance Range for full-year 2021 has been updated to reflect the impacts associated with Aliso Canyon natural gas storage facility litigation.*

(3) *Weighted-average common shares outstanding reflects the conversion of the series A preferred stock that converted on January 15, 2021 and series B preferred stock that converted on July 15, 2021.*

(4) *Includes the impact of the IEnova exchange offer.*

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