Q1 2021 Earnings Call

Company Participants

- Antonio Velez, Superintendent of Investor Relations
- Leonardo George de Magalhaes, Chief Financial and Investor Relations Officer
- Reynaldo Passanezi Filho, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Analyst
- Andre Sampaio

Presentation

Antonio Velez {BIO 15968846 <GO>}

Good afternoon, everyone. I'm Antonio Velez, CEMIG's Investor Relations Superintendent. We'll now start CEMIG's First Quarter 2021 Earnings Call and webcast with the following executives: Reynaldo Passanezi Filho, our CEO; Dimas Costa, Chief Commercial Officer; Eduardo Soares, Chief Legal and Regulatory Officer; Leonardo George de Magalhaes, CFO and IR Officer; Marney Tadeu Antunes, Chief Distribution Officer; Mauricio Dall'Agnese, Chief CemigPar and Strategy Environment and Innovation Officer; and Paulo Mota Henriques, Chief Generation and Transmission Officer. This broadcast can be followed via the other phone numbers, in Brazil, 55-11-3127-4970; and in the US 1516-300-1066, as well as on the links available on our IR website ri.cemig.com.br.

For the initial remarks, I would like to turn the floor to our CEO, Reynaldo Passanezi Filho.

Reynaldo Passanezi Filho {BIO 15054064 <GO>}

Good afternoon, everyone. Thank you for being here in this call with us. For us it's always a pleasure to bring to you our results. I also would like to thank to have here with us all of you in our CEMIG day, where we brought to you our strategic planning. We had a wonderful attendance in our CEMIG day, and that's where we presented the main drivers of the company. And I repeat here, in a very direct way, our main objective is to focus and to win.

And I think this sets up the tone of our main objective which is to focus on the businesses that to make knows its core businesses, distribution generation, and transmission, and trading, within the state of Minas Gerais and to win and to be recognized company with the best service to customers and clients in that area. Therefore, divest from any other businesses. This is a main message that we carried out then, and I repeat it now, we do have a bold investment program of 22.5 billion up to 2025, a huge increase in investments especially in distribution.

And also about program of divestments, and the amount -- estimated amount of BRL9 billion. So this is our path. I think that we are bringing to you here another quarter of very positive results. And that go hand-in-hand with our objectives, which is to focus in these areas to resuming investments, to look for more efficiency, and we see a positive quarter in other segments, trading, yes, transmission, distribution also, our -- we had 1.8 billion EBITDA, and adjusted 1.6 billion in the quarter. I think this is a very positive figure. Leonardo and Velez are going to go into the details shortly, but this is another quarter of consistent results, positive results and also that shows that we have a good path for the year, because we do have an additional recognition that should happen this year which is the GSF recognition. And here we also have figures that are close to being approval with the agency of over 1.3 billion, also during 2021. So we have a quarter with consistent results, an important recognition that should happen during this year that is higher than BRL1.3 billion. We now have a tariff adjustment that is going to be -- I believe we are going to be a Company with the lower levels of tariff adjustments, because of our prior efforts regarding the credit of PIS and Cofins and ICMS, because of that double charging, and we are returning that to our consumers.

And we move on in our transformation process. I think we have a lot of initiatives that are ongoing and once again I'm repeating myself, but this is how we are working, focus to win, we're invested in the clients, digitization, efficiency, we have the project that is called (inaudible), this is a project that we are starting in an Omni-channel. This is a -- we would have a single provider to cater to the customers and all of that would be integrated. The systems before we're not integrated and the objective here is to integrate all the service channels to clients using machine learning AI, so this is very positive. I believe it's going to be really a model for the country, obviously we're just starting the processes being executed, but we do have a transition period here which obviously is to train people, train new professionals, but here we do have a very positive perspective of improvement in customer service.

So, that on the side of the customers, I'd like to highlight that this project (inaudible) is ongoing and this is a transformational project. We also have recovery in our investments level. Here, this is still under the speed that we would like to have, but that is because we are reviewing our contracting model. We have a consulting service that is reviewing all our contracting models for suppliers, and also because we are concluding this major reorganization of investments and distribution. With a possible launching of a program that is going to call Minas 3 phase, that is to work on a gradual replacement, especially on the rural grid from which is a mono phase grid, and to turn into a three phase grid and it has been very well received. We have talked to two cities demonstrations, and I think this will boost the agricultural area in Minas Gerais and therefore this area is going to be focused in the agribusiness, the rural area and this is a project that is in conclusion stage and the objective is to turn the phase of the agribusiness and the state to change it in the state and on the side of the generation project, we wish to go into wind and solar projects. The objective here is very important, this is a new direction from the water matrix to go into our own projects into wind and solar. This is an innovative model, and we believe that we are going to gain traction over the year.

So, as far as investments are concerned with a minus 3 phase and the approvals of the wind and solar projects with the conclusion of the reviewing of the contracting model. So we are launching all the bases so that we can actually meet our strategic planning.

In terms of steaks, we have published two material facts, the first one about Taesa. We are in the process of divestment for Taesa, we're going to have an auction by the end of July. And Renova as well. We are -- we have resumed our works, we are talking to banks, suppliers, we do have a positive scenario there, it was a risk. And with the approval of the bankruptcy protection plan and now with the resuming of the works, we have a positive perspective to conclude this process, and it's very much needed. So for me, these are two initiatives that have very positive results.

For digitization, we start now to work with Pix for direct deposit, and we are making a huge effort for an integration architecture to integrate IT and OT. And the objective here is to have market solutions, not only our own solutions. So these are initiatives that have the objective of changing, transforming this Company and making it or allowing us to change lives with our energy to provide better service to customers. And now, obviously generate value of a lot of investment as the base of remuneration and that is crucial to generate value for our shareholders.

And I conclude here, this initial remarks with some efficiency initiatives. We have our voluntary redundancy program which is open. And two, three weeks ago, we have also launched the proposal or a solution for CEMIG -health. We are negotiating with the unions to change a little bit, the healthcare plans, to have a more basic healthcare plan and to work on post requirement topic and as you know, it has an actuarial deficit of BRL3.3 billion. So, these are the initiatives and the topics in which we are working on and we are always following the strategic purpose to look for more efficiency, more digitization, focusing on customers and focusing on our core businesses. I think that's what I wanted to mention in the beginning once again.

This is another very positive quarter. And not only the consistency in terms of fast results, but above it all, regarding future perspectives that we are maturing, we are working on and through these initiatives and I'm sure all of that will turn Cemig into a company with greater sustainability in the long-term. These are my initial remarks. And I will be open to take your questions later on.

So, now I turn the floor to Leonardo.

Leonardo George de Magalhaes {BIO 21639277 <GO>}

Thank you, Reynaldo. Thank you all very much for being here with us and this first quarter of 2021 conference call. So just like Reynaldo said, this is another quarter of consistent results. Cemig during 2020 has proven to be resilient even in a pandemic environment. Our results for 2020 in all the quarters we understand that they match the markets expectations. We are able to improve our operating efficiency. And the result in this quarter, more or less 20 years -- sorry, 20 days ago, we had our CEMIG day, where we had at the end of the meeting to talk about our guidance and our expectations of the results for 2021. And we understand, that the results for the first quarter match our results expectation.

And also, what the company talks about in terms of strategic planning, operating efficiency improvement. And here we can highlight the many topics that we understand, that have to do with what's discussed two weeks ago in our meeting with investors. Our CEMIG day, we have the highlights and the Velez is going to go into the details about them later on. We have a significant EBITDA of almost 2 billion, 1.845 billion, much higher than '20 and even adjusted for non-recurring events in 2019, we had some adjustments related -- actually in 2020 we had adjustments related to light and they had some non-recurring events in the first quarter of '20 bringing it down and even adjusting it we had a result of 22% higher.

And even on this year, although in this first quarter, we had FX that was high, and we understand that this is going to be reverted in the next quarter's net profit just as the same BRL422 million affected by the FX variation, not EBITDA, but the net profit. Yes, it was affected, but even with these effects, we have there just a net profit at 36.5 year-on-year. Our quality indicator, that's important because we are bringing to you positive results and we continue having improvement in the quality of service we had in 2020. The best DEC in our history, 9.57 hours and DEC for the first quarter is still improving, compared to what we had presented by the end of the year in an annual year.

Considering the year, DEC was 9.55, and considering that we also had here the funds coming in from light, but basically we had one pending in 300 of payments index, and we still have a sound cash position. And we understand that this is important, so that the Company can fulfill its board investment plans for this year and next year before the tariff review and also in terms of the debt management in our liability management of the bonds. We understand that we have cash and at the right time we can offer the market to buy partially these bonds. So it's important to have these funds strategically in our cash.

In the next slide. Here, we have the DEC, I have mentioned the best one in history. What we have to meet by now this year is 10.08 in the yearly measurement we have 9.55, so we continue improving our operating efficiency and the quality of our service to customers.

Our FEC is 25% lower than the regulatory levels. We are at a very good rate here. We have a small effect vis-a-vis 2020, but we understand this is seasonal and we still have a very good indicator when we see what the legislation demands.

On the next slide we have our losses. On the Investors Day, we mentioned that by the end of 2022 we intended to reach the regulatory limits for losses and we understand that this is a process and several initiatives have to be taken by the company vis-?-vis -- in terms of the first quarter, we basically had no changes. We have a gap of more or less 1.2%, that CEMIG has to reduce in terms of losses to meet the regulatory level, but we're still confident that with the measures that we are taking internally, the company will be successful. And by the end of 2021 we'll have a gap between total losses and regulatory losses, much lower than 1.2. And by the end of 2022, we should meet the regulatory cover -- regulatory losses covered by our tariffs or rates.

This is a slide about our delinquency and how we're fighting it. And CEMIG distribution area, in the first quarter, with the worsening of the pandemic, the state was in the purple wave which is the most severe in the state. Therefore that could have an impact in our collection and because of that the company has taken a whole set of measures -- internal measures, making it easier for them to pay -- encouraging them to pay cash, creating different means of payments as options such as debit card, credit cards, automatic installments, 12 payments, and the credit card 12 installments in the credit card we developed -- we also implemented Pix, which is an online transfer. So with all these initiatives, our collection in the first quarter was of 97.37, even higher than 2019 which was the year where we did not have the pandemic and higher than 2018 as well.

Therefore we were able to maintain our collection in a level that we understand to be adequate right, and in normal terms for our concession. For that also we increased 60% the number of disconnections. 330,000 suspensions of service. This was much higher than what we had in 2020. This was just in the first quarter, but we do not forget the low-income clients, for them this connections have been suspended but at the same time it created conditions for these customers to renegotiated their debts with the company. We understood that we were successful with these measures in the first quarter and that was reflected in the collection. And also in our PGD, in our receivables here, we had greater accuracy in the provision criteria, so that we could reflect in the best way the estimated losses in the commercial and residential areas. But with that, we had a provision that was lower than 50% of the provisioned amounts in the first quarter -- when compared to the first quarter of '20.

On this slide, as Reynaldo mentioned, this is our voluntary redundancy program. It's a little bit different from last year. We had a voluntary redundancy program where they would pay a penalty out of their FGTs. Now, it's a little bit different. Now this redundancy program is upon request and now we are offering them a multiple for each year worked, therefore we encourage employees to enroll in the program. We understand this is important for the company. It allows us to have a benefit even switching an employee that might leave the company, because he or she retired. And hiring a new employee, this new employee has a much lower cost and that is important in our operating efficiency, so that we can reach our regulatory EBITDA by the end of 2021 as promised in our CEMIG day.

This is our objective for the year, Velez is going to talk about that. We already reached this regulatory EBITDA in this quarter, but our commitment is that by the end of 2021, we would meet our regulatory EBITDA considering that, our EBIT, our Opex -- regulatory Opex was already met.

The next slide is about the GSF, which Reynaldo also mentioned. Here in CEMIG we have 1,146 million to post financial assets in terms of results for 2021. That is because of our expectation regarding the GSF agreement will extend to important concessions for us and for (inaudible) they will be extended in two years. They would end in 2025, and now we can have cash generation in these plants for more two years. This is an important cash generation for us, and allows the company to manage its liquidity in a way that's going to be ready to come up with a proposal to -- for granting bonus in order to extend these concessions as needed, and according to the regulatory schedule, of course.

And here we have for instance Alianca 137 million assets to be posted and these 137 million are regarding to just CEMIG's portions, so we have 1,333 million of non-recurring effects that will be posted in 2021, and will have an important impact on the Company's results, and also in this proposal for dividends payment over the year.

Moving on. This is our last slide before we go into the details about the results. We published our divestment Taesa. You already know about our interest of divesting Taesa in 2021 and this is our schedule, of course, this is a tentative timetable, but if everything works out we believe that by August we can write rectify this auction that would allow us to conclude the process within 2021. This would bring some efficiencies to the company. But in any way, we understand that Taesa's sale is within our strategic planning of being investing and focusing on investments where we have the control mainly within the state of Minas Gerais. So this is our tentative schedule and it's still depending on some corporate approvals, but we do believe that we'll be able to make it.

Now, we are going to turn to our results in details. I will turn the floor to Velez, our Superintendent and Investor Relations, and he's going to go into the details of the figures. Velez, please.

Antonio Velez {BIO 15968846 <GO>}

Thank you, Leonardo. So now let's turn to the result analysis itself. I just would like to highlight some effects that were more important and that have affected the results in this first quarter. So, that it can -- it will be easier to understand the presentation. And the consolidated figures for the holding, we had a positive effect in the equity method results of 45% growth from BRL82 million in the first quarter of '20 to BRL119 million in the first quarter of '21. And this was mainly, thanks to positive effects in Taesa's results and also impairment reversal in Guanhaes.

For CEMIG distribution, we had also a very relevant increase in the volume of electricity distributed. The captive market had a drop of 1.7% and transport for client's was up 9.7%. Also here we had a migration from pre-clients and I will talk more about that shortly.

Our OpEx in CEMIG distribution, as Reynaldo mentioned and our CEO also mentioned, is within the regulatory target and for CEMIG GT, the main impact was the marking to market of the Eurobond that has generated the negative effect in the first quarter of '21 of BRL619 million net of taxes. So here we have the explanation or the details of the negative effect of the mark-to-market of the Eurobond. This was because of the dollar behavior. The Real had a depreciation. Therefore generating that negative effect of BRL751 million and with the increase of the interest rates -- future interest rates, that also impacts us negatively in the hedge, saw an impact on the financial results at the end was negative of BRL939 million and negative impact in the net profit was of BRL619 million as I had mentioned. But as you know, the dollar that the FX exchange rate for the dollar and at a level of 5.697.

And today the dollar is already at 526. So the Real already had an appreciation from then to now. So if we were to close that today, we would have an improvement of BRL600 million as well, and this chart shows how sensitive that Real bond that is according to the dollar variation. So at every 10 cents up or down, we (inaudible) that in around BRL150 million. If it reaches BRL5 for a $1, we'll be at 7.5 billion and that is in the quarter closing with 5.697, we reached 8,546 million at March 31.

Now, talking about the EBITDA and the net profit in the first quarter, we see that we had an increase of 133.2% in our IFRS EBIT and according to our EBITDA for non-adjusted or non-recurring effects, it was almost 23%, 1,349 million in the first quarter of '20 to 1,658 million in the first quarter of '21, just as the same our net profit adjusted by the non-recurring fact, had growth of 36.5% from 589 million to 804 million.

And on the bottom of the page, we have all the effects. One of them are the adjustments to fair value for light, which we had last year, and we did not have this year. So we had to work on -- to show the adjustment so that you would understand the comparison. Another interesting or important effect is the FX exposure in the Euro Bond and these are the more relevant effects.

Turning to the results for CMEG GT. As we mentioned here, we did not have any non-recurring effect. So, the EBITDA IFRS neither in the prior quarter and in 1Q '21 had effect? So, we can just have a direct comparison and the EBITDA was up 8.4% for CEMIG GT from 688 million to 746 million net profit really the effects variation did have an impact, because they're (inaudible) denominated analysis is better understood in the adjusted results. So, the net profit had a growth of 12.4%, the adjusted net profit from 274 million in the first quarter to 308 million in the first quarter of '21. The adjustments once again are down below on this chart.

And before talking about the EBITDA, net profit of CEMIG DT, I would like to talk a little bit about -- of CEMIG distribution -- I'm sorry, we would like to talk about the market which had a strong recovery in 2021 here, considering the build market and if we see end consumers and transported energy there was a growth of 3.3% in the total distributed energy. And as I mentioned, the transported energy for free clients was up 9.7% in the period, while the sale for end consumers was down was down. 1.7%.

It's important to highlight that here we had a 181 gigawatts hour of-- in the first quarter of migration of free or actually captive clients to free clients and that affects a little bit the comparison and the transported energy, if we make that adjustment would have grown 7.9 on the sale for end consumers, although instead of having that reduction of 1.7% it would have grown 09%. But even more important is the evolution is performance of distributed generation and that is not considered in the sale for end consumers or transported energy, but the energy coming from distributed generation increased 120% from a 125 gigawatt-hour in the first quarter of '20 to 430 gigawatts hour for Q'21, that's a very relevant growth. So today, distributed energy -- distributed generation already represents more than 3.5% of the total energy that goes through our system. So it is very relevant.

And as you know, this has significant impacts for CEMIG distribution and tariffs and that's why we believe to have a discussion about these subsidies by having a tariff policy and this discussion should be a national one for national tariff.

And finally, I would like to say that we know that residential consumers have been very resilient and also because of what we are going through with the pandemic, so residential was up 3.2% but really the main driver in here for the increase in the electric energy consumption and distribution -- CEMIG distribution is industrial consumer. It's very relevant -- very relevant player and it was up 8.4%. The commercial clients had a reduction of 12.2%. And as we usually say, the EBITDA, both EBITDA and net profit for CEMIG distribution was very positive, very strong in the first quarter of this year. We did have growth which was very significant relevant, however you look at it, and the main non-recurring effect that we had here was a reversal of tax provision relating -- related to the profit sharing program of 79 million in the EBITDA and 52 million in the profit. If we make these adjustments, we had an increase of 34.5% in CEMIG's EBITDA -- CEMIG's distribution EBITDA from 495 million to 666 million. And in the case of the net profit, we had an increase of 72.6% from 197 million last year to 340 million in the first quarter of this year.

About cost as operating expenses, we had total increase, considering, energy purchase and other costs, non-manageable costs and PMSO, we had an increase of 14.3%, looking at only the PMS, so there was an increase of 8.3% that was because of outsourced services, and we believe that this was a one-time off with the increase of some expenses such as communication and trees pruning that we haven't done much last year or in the beginning of last year, and so it was -- we had to do this year. But as you will see, this is within the regulatory limit. And other expenses here, most of them having praised because the increase, because of the cost of energy purchase for resale from 2.8 billion to 3.100 billion, in the first quarter of this year. And charge has also increased a lot, almost doubled. So from 365 million to 400 -- 747 this year.

In. terms of operating efficiency, and here I'm comparing with the regulatory OpEx as we already mentioned, here our distributing company still has more efficient performance, more efficient than the regulatory level in this first quarter in BRL53 million and this is thanks to the PMSO, which was BRL150 million lower than the regulatory level. But we also had other expenses like the post-retirement, a voluntary redundancy program and our CEO already mentioned that we are working on it. We are also working on our healthcare plan and we have also ideas for the pension plans. So, basically that's it. We had an OpEx of CEMIG distribution of 712, and the regulatory OpEx is of 765. So, we are 53 million lower than the regulatory OpEx.

About the regulatory EBITDA, we also had a performance that was better. It was BRL124 million higher than the regulatory EBITDA. That's basically because of our OpEx, we had also other changes in the revenue, which helped us to have realized EBITDA or our actual EBITDA that was higher than the regulatory EBITDA. So we are 124 million higher than the regulatory EBITDA of 621 million.

In terms of debt, we have a very comfortable debt profile here in terms of maturities vis-a-vis our cash. We ended the first quarter with cash of BRL6.181 billion and with maturities up to the end of the year of BRL823 million; next year BRL1.2 billion; 2023 BRL816. They are very comfortable in the short term except for 2024. That's when we have the maturity for our Eurobond, this is a huge wall and as Leonardo mentioned, we are working -- actually, we are planning to have a liability management for this bond in the mid-term.

The debt cost increased a little bit because of the CDI increase. As you know part of our debt is linked to the CDI. So there was a slight increase and here the leverage, as I mentioned, we have a leverage that is very comfortable. So total net debt over EBITDA is at 1.1x. That is a very good level and total net debt over equity plus total net debt of 24.6%, very comfortable leverage level.

Finally, before turning to our Q&A, I would like to talk about our cash flow. Our cash by the end of 2020, as you know was already very robust, 5.8 billion; we generated cash -- operating cash of 943 million; we had here reimbursements to consumers of credit of f PIS and Pasep and those that were read in last year's tariffs, 178 million we paid loans and finances that we're doing the first quarter at 1.3 billion. We did not have any fundings as you know. We also had the sale of light. As you know, we do not have any additional shares or stock at light. And we also had BRL366 million in investments. So, we want from a cash of 5.8 billion cash by the end of last year to BRL6,181 million by the end of the first quarter.

Leonardo, would you like to talk about the management's priorities?

Leonardo George de Magalhaes {BIO 21639277 <GO>}

Yes, Velez, very briefly. We always like to show this slide, because it summarizes the main company's initiatives that will add value. Some of them are already met, some are partially met, others are ongoing and they are part of our agenda. So, it's very important to stress that, because some of these initiatives for instance the post of retirement programs, we mentioned in CEMIG day [ph] that in the short term we would start the process of negotiations with the unions, and we just already started.

We started negotiations about the healthcare plan. We are looking for restructuring of the plan, reducing our actuarial risk and also expenses recorded in our balance sheet. So, negotiations are ongoing and we can expect that in the short term that we'll have negotiations about the pension plans. These initiatives are on our agenda. They are part of our daily activities, and we understand that this year in 2021, we'll continue working, so that we can work on all of them. We know all of them are very important for our strategic planning for everything that we have discussed with the market initiatives, that we understand that were important to add value to the company, they involve debt management, operating efficiency, and other structural topics that involve the retailer energy trading as well.

So, thank you very much and as Velez mentioned, we will now open for the Q&A session. Is that right, Velez?

Antonio Velez {BIO 15968846 <GO>}

Exactly. So please, let's open the Q&A session.

Questions And Answers

Operator

(Question And Answer)

Thank you very much. We'll now start our Q&A session. (Operator Instructions) First question is from Arthur [ph] Pereira from Bank of America. Mr.Arthur, please.

Q - Analyst

Good afternoon. I have a question about the distribution results, on the line where you talked about talk about reimbursement of PIS and Cofins products to consumers, you did post that in revenue of CEMIG-D, and then we see the same amount in your cash flow. So my question is that if there's 178 million, and have effected the EBITDA of the distributing company in the quarter? Thank you.

A - Unidentified Speaker

Hello, Arthur. Thank you for your question. Actually the effects that involve the reimbursement of these amounts, they do not have any effect on the results. What happens is that our tariff was reduced in 700 million, that we included in the tariff review to return to consumers. But as we returned these amounts to consumers, these are just accounting adjustments. Our regulatory revenue for our concession contract was not affected, because of the 700 million that we are returning on the tariff.

So in summary, this 178 does not affect the EBITDA. The EBITDA that you see the regulatory EBITDA, according to the concession contracted is only a cash effect where we return into the tariff, that is we collect a little bit less in the tariff, but on the other side we are reducing our liability with consumers, because we have that share that we have to return to them regarding those 10 years.

Q - Analyst

That's great. Thank you.

Operator

(Operator Instructions) Next question is from Andre Sampaio, Santander. Mr.Andre.

Q - Andre Sampaio {BIO 19422379 <GO>}

Good afternoon. I just have a follow-up on the prior question. I would like to understand, considering your answer to him, if we were to work on the results of the distributing company as a whole, the expectation from now on, so that we can have an idea are we going to have efficiency or there is something that we cannot foresee in the future? Like you don't think that this is going to last in the future.

A - Unidentified Speaker

I don't know if Reynaldo wants to mention -- to talk about this.

A - Reynaldo Passanezi Filho {BIO 15054064 <GO>}

Andre, thank you for your question. Andre, the guidance was published or disclosed more or less two weeks ago and this guidance, the base of our strategic planning is continuity of the operating efficiency of the company, reduction of non-technical losses, and the improvement in our collection plans, plans in our collection program, reducing the PGD, and based on all these initiatives of the company, we published the guidance for CEMIG distribution, which is where we had an EBITDA for this year of between 2544 and 2518.

And we understand that this quarter was a 155, close to 607 in --. We are maintaining our expectation to meet that guidance, obviously, considering the range 2.544 to 2.581 because of our markets expectations and our measures. Also for efficiency -- operating efficiency. I don't know if I addressed your question, but our guidance I think is a good base here for what we expect in terms of 2021.

Just adding to that, whenever we disclose a number, the OpEx is always going to be lower than the regulatory OpEx. We have published a plan with improvement of efficiency and this does not include the post-retirement. Everything that we might have in terms of positive results in the negotiations of post-retirement are not considered in these projections.

Q - Andre Sampaio {BIO 19422379 <GO>}

Excellent Reynaldo. Thank you.

Operator

(Operator Instructions) If there are no further questions, we turn the floor back to the Company's management for the final remarks.

A - Unidentified Speaker

Very well. Thank you all very much for being here with us. I will see you in the next quarter in our next call. Take Care. Thank you. Good afternoon, everyone. Thank you. Thank you all very much.

Operator

Thank you. The conference call for Cemig has ended. Thank you all very much for your participation and have a nice afternoon.