

Q1 2015 Earnings Call

Company Participants

- Cristiano Correa de Barros, Chief Financial Officer
- Jose Aloise Ragone Filho, Chief Executive Officer
- Rafaela Gunzburger, Investor Relation

Other Participants

- Unidentified Participant

Presentation

Operator

Good afternoon, ladies and gentlemen. Welcome to Taesa's Conference Call related to the earnings of First Quarter 2015. We would like to inform participants that the presentation is available for download at www.taesa.com.br/ri. We also inform you that participants will be in listen-only mode during the company's presentation. Afterwards, there will have the question-and-answer session for investors and analysts only, when further instructions will be given. (Operator Instructions).

Before proceeding, let us mention that any statement that maybe be made during this conference call related to the Company's business outlook as well as operating and financial assumptions are based on the Company's beliefs and assumptions and information currently available to the Company.

Forward-looking statements are no guarantees of performance; they involve risks and they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may also affect the future results of the company and lead to results that differ materially from those expressed in such forward-looking statements.

Now, I'd like to give the floor to Cristiano Correa, CFO and IRO, He will begin the presentation, please go ahead, sir.

Cristiano Correa de Barros {BIO 4273820 <GO>}

Good afternoon, everyone. Thank you for participating in our conference call today. Today with me -- today I have (inaudible) and Rafaela from our Investors Relation Area; Marcelo Eduardo Martin, is our Controller; Jose Aloise Ragone, our CEO. When it comes to our income, in 2015 first quarter 2015, the key highlights that we'd like to mention today have to do with the change in the accounting adjustment we did last year.

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Our corporate results, we have our monthly adjustment, this has an impact on the company's income and we can see the impact now on the first quarter and another income or each item that affected the company's income was the renewable of tax subsidies, SUDAN and SUDENE. And later on we'll give you more detail on this topic.

Now, I'll give the floor to Rafaela, she is going to deliver the presentation and Ragone and myself will be here for the Q&A session. Rafaela?

Rafaela Gunzburger

Good afternoon everyone, thank you for joining our conference call today. As Cristiano mentioned, this year in the first quarter of 2015, this was very much in line with our expectations. We have three highlights, three events I'd like to highlight now. The renewal of the tax subsidy, amortization of debt and dividend payout.

In March, the IRS approved the renewal of our tax benefits for TSN, Novatrans, Munirah and Gtesa for another 10 years, re-proactive to the result of 2014. This renewable generated a positive impact in the first quarter of approximately R\$34 million, out of which R\$31 million had to do with the re-proactive result of 2014, and R\$3 million related to the result of first quarter 2015.

Of the debt, 136 million were amortized of a short-term debt after premium of the first tranche of the loan based on 4.131 and dividends of 250 million that were paid this year, both happen in April and they are considered subsequent to the result of the first quarter and they will appear in the result of the second quarter.

Now moving to results, both the revenue [ph] and EBITDA various according to inflation around 9% for revenue and 7% EBITDA. And net income was very much affected by the new accounting system or inflation readjustment, which is now monthly and no longer annual. But due to this inflation in fact and also tax benefit, net income on IFRS in the first quarter of 2015 81% higher compared to the first quarter of 2014.

Moving now to slide number 4, we see the breakdown of our IFRS net revenue like I said before, IFRS result was positively affected by the change in the accounting system or estimate and in the first quarter, the impact was approximately R\$92 at Taesa and R\$52 million in ETAU, Brasnorte and TBE. As to the consolidated result, we have a net EBITDA relation of 17 million, but explains this difference. Construction revenue went down on a quarterly basis and we have an increase in the variable portion and that led to a negative effect.

On slide number 5, we show the breakdown of our regulatory EBITDA. In the first quarter of 2015, EBITDA was 7% higher year-on-year and this is mainly explained by the adjustment of the regulatory revenue by inflation, which happens every year in July in a quarterly comparison, this was basically the impact and it generated an EBITDA margin of 19%.

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On slide number 6, we show the historical periods of the EBITDA and the quarterly EBITDA margin since (inaudible) in 2012, 100%. We can see that estimates we are quite, we need our EBITDA margin was 88.2 and on the first quarter, the margin is 90%. This is pretty much based on our operating efficiency focused on cost reduction and OEM with our loan personnel. And also confirming our capacity to add value to the assets acquired always trying to have 90% EBITDA margin. This is what we are working for.

On slide 7, we have a breakdown of the quarterly net income of the first quarter of 2015, net income like I said before increased 81%. Basically due to inflation adjustment and tax benefit, positively this change of inflation adjustment had an impact on IFRS revenue and also an impact on the EBITDA R\$92 million and R\$36 million in equity method and because our debt of half of our debt is IPCA denominated, we had a negative impact on monetary restatement of 26 million, but we can see that revenue adjustment was higher compared to debt variation adjustments and we are focusing our efforts in order not to have a big impact on our results.

And finally, income tax with a factor 38 million positive, through the tax subsidy. So if we consider all these impacts together, the net income is 202 million, this quarter.

Now on page eight, here we have the performance of our dividend payout, the General Shareholders Meeting happen on April 22nd approving an amount of R\$852 million approximately vis-a-vis 2014. And for this year, we have 255 million remaining, which were paid on April 30th. So we still have our maximum payout and we paid 94% of the result 2014.

Now, on the last page, page number nine, we address our indebtedness. The company continues to deleverage our total gross debt -- our cash is 664 and our net debt totals almost R\$4 billion out of which 54% is CDI, and 42% IPCA. The debt term is similar to what we had in the previous quarter, 83% long-term and 17% short-term and the capital structure is balanced, 53% shareholders' equity and 47% net debt.

So this was an overview of the company's status and the result of this quarter, was very straightforward with no significant impact in line with our expectations.

So now we can open for the Q&A session. And should you have any question Ragone and Cristiano are also here for you. Thank you.

Questions And Answers

Operator

Thank you. We're opening now the question-and-answer session for investors and analysts only. (Operator Instructions) The first question is from (inaudible) from UBS. Please go ahead, sir.

Q - Unidentified Participant

Good afternoon. Thank you for the call. I'd like to know if there is any update or anything new about ETM [ph] in the company's control?

A - Cristiano Correa de Barros {BIO 4273820 <GO>}

(inaudible), thank you for your question. As company managers our role basically is to prepare the data room and to disclose information's for potential investors or information requested by a potential investors. Not this year, but last year we've set a very expensive data room with Taesa's information, so ETM could have the whole due diligence process and assessed Taesa and that was done. And the news is there are a material information that we released before, in other words, apparently there is an agreement between FIP COLISEU in terms of price, FIP COLISEU and ETM, but we still need the approval of this right at SEMIGI.

We have no information by SEMIGI about the internal process. As managers we are here to provide potential information -- investors with everything we can, so they can really assess at Taesa.

Q - Unidentified Participant

Thank you.

Operator

(Operator Instructions) The next question is from Gabriel (inaudible) from Safra Bank. Please go ahead.

Q - Unidentified Participant

Good afternoon, everyone. Thank you for taking my question. My question is related to a possible M&A. In the fourth quarter call you mentioned a profitable business offer, I would like to know the status of this offer?

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

Gabriel, Ragone speaking. Taesa is ready for growth, for any move towards growth. Our position is very prudent and new vis-a-vis these opportunities that naturally happens. By the way, we'd like to draw your attention to the fact that pre-auction -- in the pre-auction period just as we will have in the current year. Potentially we will have consultants getting ready for these events and greenfield offers.

What I can tell you is that our whole team is very much engaged and provides the best analysis possible about these opportunities and at the end of the day, our work and exclusively consider opportunities to maintain the quality of our contracts, bringing more profit or profits as adequate returns to our shareholders. We're getting ourselves ready, actually we are ready for any possible move.

Operator

Ladies and gentlemen, please hold while we recollect the speakers' line. We kindly ask you to hold, so we can reconnect the speakers' line.

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

So just concluded my answer, I would like to highlight as we always do that Taesa is ready and we are keeping our eyes open, our team is also attentive to any opportunities for growth and we highlight our due diligence, our focus always trying to bring into the company, new concessions that may bring return, while results and our shareholders.

Q - Unidentified Participant

Thank you very much.

Operator

Thank you. I'd like to give the floor to Mr. Jose Ragone for the closing remarks. Please go ahead, sir.

A - Jose Aloise Ragone Filho {BIO 16438993 <GO>}

The results of the first quarter of 2015 confirms full alignment of the team that is always all incurred to bring solution and bring practical opportunities that will make our operation more efficient and boost our results. On behalf of the Taesa team, which is 100% committed to add value, we thank you all for joining us today. Good afternoon.

Operator

Thank you. This concludes Taesa's conference call on the results of first quarter 2015. You may disconnect your lines now. Good afternoon.

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