

Q3 2020 Earnings Call

Company Participants

- Alexandre Nogueira Ferreira, Regulatory Affairs and Strategy Officer
- Mauricio Perez Botelho, Chief Financial Officer and Investor Relations Director
- Ricardo Perez Botelho, Chief Executive Officer

Other Participants

- Carolina Carneiro, Analyst
- Marcelo Sa, Analyst

Presentation

Operator

Hello, ladies and gentlemen, and welcome to the conference for the Third Quarter Results Conference Call of Energisa. Participants will be only listening to the teleconference for the call, while the company presents. We will then start the Q&A session, when further instructions will be provided. (Operator Instructions) This call will be led in Portuguese and English call will have simultaneous translation. There's simultaneous translation on the web for this event through our webcast.

Before we start, we would like to say that statements that will be made throughout this conference where that might be made about projections, business perspectives, operational aspects, are beliefs and promises or assumptions of Energisa Directors. Based on the information that is currently available to the company, this is not an assurance of performance. It involves risks and uncertainties connected to future events and therefore, they depend on circumstances that might or might not happen. Investors should understand that general economic matters, industry situation and other factors can have an impact in future results for the company and might lead to different results from those that are being considered.

I would now like to give the floor to Mr. Ricardo Botelho, who will start the presentation. You can start.

Ricardo Perez Botelho {BIO 2105867 <GO>}

Thank you, operator. Good afternoon, everyone.

I thank all of you for joining our conference results call for Q3 2020. Today, we have with us Mauricio Botelho, who is Investor Relations Director and CFO, our Vice CFO, Gioreli de Sousa, whose is Distribution Vice President; Alexandre Ferreira, Vice President of

Regulation; Daniele Araujo, Vice President of People and Management and my Regulations Director, and Brando Silveira, our Corporate Finance Director and Milton Araujo, who deals with protections to revenues and our Investors Relations team.

First of all, I would kindly ask you to read Slide 2, which is an important notice. This slide should be carefully read before one takes any decision to invest in our company. I will start with operational highlights for Q3 that encompasses the energy market, electricity losses, quality indicators such as DEC and FEC, delinquency rates and collection rates. After that, Mr. Mauricio Botelho will talk about finance results, our investments, advancements in the transmission area and also other events. Finally, we will open for a Q&A session.

So, I will start with the operational highlights for the Group in Q3, which starts on Slide 4 and Slide 5. You will see the performance of the energy market, which grew by 0.6%, considering the billed market and 2.7%, including a consumption in the unbilled market when compared to Q3 2019.

When we look at the results and compare them to Q2 of 2020, which was a period when the market decreased by 4.9%, the most acute impact in volumes due to the pandemic have been overcome. This recovery will be detailed in a minute and it is mostly explained by the performance of residential and rural consumers, which evolve by 5.9% and 9.7%, respectively. These two areas together represent 49% of the total market consumption. And according to the tariff structure, they are great contributors to the group's net income. So, they had a huge impact in our total revenue. Residential segment had positive advancement in all 11 concessions of our group teams due to a warm and dry weather during Q3 in almost all regions where we had increased consumption. Highlight goes for Acre with 11.3% increase, Rondonia increase of 10.1%, Mato Grosso do Sul, 7.5% increase, Borborema, 7.2%, and the state of Paraiba, 6.4%.

In the rural area, we grew in 10 out of 11 distributors. I would like to highlight in Energisa Minas Gerais, an increase of 31%, led by record coffee harvest, Energisa Tocantins, an increase of 13%, thanks to the production of eggs and poultry and Energisa Mato Grosso, an increase of 9% and also Mato Grosso do Sul, plus 7%, thanks to activities connected to soy and corn.

We also have Rondonia Energisa, plus 9%, thanks to the soy harvest. On the other hand, there are still some areas of the economies -- economy highly impacted by the social and economic impact caused by the pandemic. The commercial industry, which includes retailers and service companies, such as schools, hotels and restaurants, had a reduction of 17.1%, when compared to the same period of '19.

Now, there is a small recovery compared to Q2 in 2020. In Q2, we had a decrease of 19.1%, when compared to the same period of the previous year. This area represents 17% of our total market and corresponds to 39.5% in terms of gigawatts hour of the residential area or sector. The downturn in this area goes for all concessions, but it's important to highlight that the states of Rondonia, Acre, and also in Borborema, we see a trend of recovery.

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A good surprise happened in the industrial segment, which showed an important recovery in Q3 with growth of 4.1% when compared to Q3 '19. I'd like to highlight that in Q2 of '20, the same segment had a decrease of 8.6% when compared to the same period of 2019. In the industrial segment, eight distributors contributed further increase in consumption. We had Mato Grosso do Sul, plus 15%, with steel works [ph] and food. Tocantins plus 12% with non-metallic minerals, Borborema, plus 9%, with the shoes industry. Mato Grosso, plus 7% with non-metallic metals and food, Acre plus 7%, which is really strong in food and Rondonia, plus 6%, thanks to the non-metallic minerals and food segments. Then we have Minas Gerais, plus 5% with activities focused on food and wood timber. This is a V-shaped recovery that is fostered by an increase in internal consumption and by the exports of agro and industrial products.

Moving to Slide 6 now. I introduce you to the energy market, and you see year-to-date numbers for 2010 -- 2020 nine months, a reduction of 0.6% when compared to 2019. There was an improvement when compared to the first semester of 2020, where we saw a drop of 1.1% when compared to the same period of 2019. The Central West and North region of the countries had growth throughout this period, 1.5% and 0.7%, respectively, for these regions, which is a result of the Mato Grosso, Rondonia and Mato Grosso do Sul concessions.

When we look at Sergipe, Nova Friburgo and Southeast concessions, they really suffered from the crisis and had fixed impacts of the commercial and industrial process. The residential segment was positive in all 11 concessions and the rural, of course, was competitive in nine regions, except for Nova Friburgo and Sergipe.

So, we conclude that Q3 2020 has a market, but data in [ph] some companies is showing a behavior that is cool or even superior to what we saw in 2019, beginning with -- now beginning with a recovery. In other areas, we still have slower pace, but we are over the worst period of this year.

Moving to Slide 7 now. Total losses for the group September 2020 positions, we still face the COVID impact in the year-to-date performance when we look at the last 12 months. Up until March of 2020, before the pandemic, therefore, this path of losses was stable or have been stable throughout the last five quarters. In September 2020, however, the total losses that are measured according to the value of the last 12 months, also remained stable, when compared to June 2020. That's a 13% -- 13.8% of injected energy and 0.28 [ph] (sic) (0.20) percentage points above March indicators for this year. 0.21, sorry. 0.21 percentage points below the losses registered in September 2019.

ANEEL 878 Resolution asks [ph] shelter-at-home measures and the closing of services stopped for four months, our actions to fight losses. And therefore, there was an increase in frauds. Among other effects, that we have already explained in the Q -- in Q2 call. The current scenario has more stable numbers. We are now moving back to our activities against losses. Out of 11 distributors, in September 2025, we're still below ANEEL's regulatory target when compared to six distributors on June this year.

These six distributors are Minas Gerais, Sergipe, Paraiba, Mato Grosso, Mato Grosso do Sul and Rondonia. Out of these, Mato Grosso do Sul was the one that was again back below the regulatory threshold. In March 2020, we only had three distributors above regulatory targets; Minas Gerais, Paraiba and Rondonia. We are currently working hard, not just to read, but also to overcome the regulatory threshold for all distributors and action plans are in place. I would like to mention that the effects of technical losses and variations in consumption such as the ones we've seen in the last quarter do have an impact in total losses.

The evolution of the performance of loss rates, those that went over the threshold, they are decreasing now. In September this year, when we compare to June 2020, Minas Gerais reduced by 0.31 percentage points, Nova Friburgo by 0.09 percentage points, Paraiba by 0.17 percentage points, Mato Grosso do Sul by 0.13 percentage points, Rondonia by 43, sorry -- 0.43 percentage points and Sergipe is still 0.01 percentage points and the decrease. Acre showed an increase of 0.16 percentage points when compared to June 2020. This result can be partially explained by the base effect due to the fall in the market. In spite of these challenges, Acre levels are still below the regulatory threshold.

Energisa Mato Grosso recorded in this quarter, the greatest required energy of its history due to record heats or temperatures in the state of Mato Grosso. So, we saw an impact of this indicator, both an increase of technical losses and also an increase of non-technical losses. There was growth when compared to the previous quarter. Increases in total losses were of 0.36 percentage points and 0.56 percentage points when compared to June 2020 and September 2019, respectively. After a long flat [ph] or reduction in quarter losses in Mato Grosso, we believe, we will go back to reducing these losses with all the initiatives that are taking place or began to take place once again in August. We are always looking to fight losses. We want to reduce the base impacts. And now with the recovery of the market growth, which will not generate commercial loss, our focus is now to have an increasingly better performance for this indicator in the next quarters.

Moving on to Slide 8 now. I would like to mention that 10 out of 11 distributors are still within regulatory boundaries, according to the DEC and FEC reg indicators. In the Q3, the performance of quality in our group was one of the best than the last year's. Rondonia, which is the only above regulatory threshold for both indicators, has been consistently showing superior performance in the last quarters. In September 2020, Rondonia's DEC index was of 37.53, when compared to 40.64 and 43.31 in June and March this year, respectively.

When we compare this to September 2019, the difference is even greater of 10.3 hours. So it's quite a significant reduction. When we look at FEC, the evolution of this index is also growth and there was a decrease of 2.3 times when compared to June this year and 2.64 times when compared to September 2019. So, it's really gratifying to share with you that in this quarter, our Mato Grosso concessions reached its minimum history of DEC and FEC. In Mato Grosso do Sul, we have the minimum FEC, Sul-Sudeste, a minimum, a lower - a record low in DEC. And in Energisa Acre, a record low of FEC, 17.11 times.

This amazing performance have been consistent in all Grupo Energisa distributors in recent years. We have kept this even in this difficult scenario, that we are going through in 2020. So, Brazil was staying at home, shopping at home and Energisa was working hard to keep the lights on. Our discipline of careful capital allocation, our great ability to plan and execute when it comes to our technical team, this has all contributed to this result. And our field teams, I would like to thank them once again. I'm very grateful for the work they are doing.

Now on Slide 9, this is the last slide on operational highlights. Our collection -- consolidated collection rate for September 2020 year-to-date for the last nine months is of 96.67%, regarding the total of the period. That is a 0.14 percentage point reduction. However, there is an increase when we look at June 2020 when this rate was at 96.10%.

This result felt the impacts of collection between March and May 2020, which was the result of the social economic crisis by COVID-19 and also of ANEEL measures through Resolution 878. However, starting on June, there was a recovery that led to an improvement of this indicator in September already. The company is still firm in its collection campaigns. We offer flexible conditions to pay in installments and also payment with credit cards. And that has led to good results, as you can see the positive -- in the positive trend in the graph of the moving average per collection for the last 30 days.

So from June to August, we saw this indicator above 100%, which shows a collection above build volumes. And in September, this is around 100%. In this quarter, we saw a change or a reversion of only BRL38 million in provision for loan losses compared to a number of BRL145 million [ph] in Q2. In nine months, we had BRL332 million in provision for loan losses when compared to BRL186 million that were registered throughout the first nine months of 2019.

Reversals generated by the pandemic this quarter [ph] was of BRL29.6 million, which decreases the impacts in year-to-date numbers, which went from BRL188 million in June to BRL158 million in September.

So now, I give the floor to my colleagues, Mauricio Botelho, who will talk about financial results of this quarter.

Mauricio Perez Botelho {BIO 2105889 <GO>}

Thank you, Ricardo. Good afternoon, everyone.

So we are now on Slide 11. Here you see manageable cost of PMSO, personnel, materials, other services. This is for Q1 of 2020, BRL549 million. That's a reduction of 20.8%, which equals BRL144 million when compared to the third quarter of 2019. Year-to-date, this is a reduction of 11.5% or BRL228 million. This was how we responded at Energisa to the pandemic and the uncertainty we are going through. So, we acted swiftly in reducing expenses, always providing essential services for our customers.

In Q1, we announced that we would strive to reduce operational costs from 5% to 7% in 2020. And we have reached a number of 11.5% until September. In this quarter, the Rondonia and Acre concessions, strongly reduced their expenses because they had structuring initiatives that are being executed ever since we started working these two regions. When compared to Q3 of 2019, PMSO for Rondonia was reduced by 48.2% or BRL71 million, whereas Energisa Acre showed an improvement of 34.9% or BRL18 million.

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Moving to Slide 12. Here the left-hand side graph shows a positive evolution in reduction of PMSO. You see the numbers for Q3 '20, they are lower than in the last six quarters. In the right-hand side, you see an important reduction in Qs two and three of '20 compared to the same periods of 2019.

I would like to mention here personnel and outsourced services cost. Our ability to quickly adjust costs during this crisis gave us an additional financial resilience, when we looked at the drop in the market and an increase in delinquency rates. Once again, I would like to say that discipline and strictness are trademarks of our work and proven characteristics in crisis that came before.

Slide 13 now. Here we see Q3's EBITDA, 39.5% increase or BRL349 million compared to Q3 2019. This is a result of greater consumption in residential and rural classes, which led to an improvement in parcel or Part B. There was also a reduction of manageable costs by 22.8% or BRL152 million. We've talked about this before. There was also a partial reversal in the provision for loan losses. And this is an extra provision for loan losses connected to the COVID-19 crisis with the amount of BRL29 million.

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Year-to-date, EBITDA grew by 11%, which is a variation of BRL279 million when compared to 2019. There was a positive variation in Q1 and Q3 of 2.5% and 39.5%, respectively, for these quarters. Without the non-recurring and non-cash impacts of 2020 and 2019, in which we have provision for loan losses due to COVID, then we have termination costs, new replacement value registration and we also adjusted our accounting to IFRS rules. This is all highlighted in Item 3.4 in our results release. And at the end, we saw a positive variation of 31.5% in this quarter and 17.1% year-to-date in the last nine months. That's EBITDA.

In Slide 14, we see, on the left-hand side graph showing a reduction of PMSO and in the last 12 months, you see this per quarter. And on the right-hand side, you see the positive evolution of EBITDA in the last 12 months for third quarter. The bottom part of this graph, you see a table where you see a reduction on the share of PMSO over EBITDA, which has been above 10 percentage points when compared to previous quarters.

Slide 15 now. You see net income, which was a record BRL922 million when compared to BRL54 million in Q3 2019. In year-to-date nine month period, BRL1.4 billion, when compared to BRL174 million in the first nine months of 2019. Even when we exclude MTM and subscription bonus, which in 2020 were favorable and also it's excluding other non-cash and non-recurring impact, it was an important growth for these two periods. BRL424 million of growth in the quarter and BRL418 million in the first nine months when we compare 2020 to 2019.

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Slide 16, net debt. So here we have sector or industry creditors. Credits in this quarter, this reached BRL13.6 billion. It's a reduction of BRL328 million when compared to June 2020. In this quarter, we raised funds and we also extended the maturity of debt that amounted to BRL1.3 billion. So that's BRL370 million more when compared to June 2020. And we also reinforced our working capital. We have more cash availability and we expanded cash availability in BRL1 billion equivalent [ph] to BRL100 million. We are reaching a total of BRL5.5 billion. Year-to-date, for first nine months, we have rolling capital, working capital. So, we raised BRL4.6 billion in credit lines, where the company average maturity is of three years and average cost is of 156% of the CDI index. Average maturity of the gross debt is of 4.1 years and average cost is 4.17% a year, when compared to 5.73% in June '20.

Our main index here is the CDI index, which represents 73% of our total debt. Our index for leveraging net debt-to-EBITDA finished this quarter with 3.3 times when compared to 3.7 times in Q2 of this year. And there is a threshold of covenants for 2020. This threshold is of 4.25 times. So, we are comfortable in our situation. We are still far removed from this limit.

Now on Slide 17, you see our 2020 investments. In Q3, we invested BRL647 million. And in nine months, we've invested a total of BRL2 billion. So, there was a reduction of 25.7% and 6.3%, respectively, when compared to the same periods of 2019. This reduction is a result of reviewing the budgets of distributors, so that we can adjust to the context of the pandemic. When we look only at distributors, the amount -- the invested amount was BRL543 million in the quarter and BRL1.7 billion year-to-date.

Now moving to transmission on Slide 18. We have four transmission enterprises, which together represent BRL195 million in annual allowed revenue. We started a process at Energisa Goias 1 on March. It was 17 months before schedule. And more recently, we started Energisa Para I, 296 kilometers of transmission lines. It started on November 2. So that is 16 months before schedule. We also have an annual permitted revenue of BRL52 million for this enterprise. So in this latter project, we have invested about BRL318 million in approximate economy of 14% when compared to ANEEL's estimates of CapEx.

With this operation, we highlight our ability to supply to the Northeast region of Mato Grosso, to the Araguaia region and to the west of the State of Tocantins. Year-to-date, nine months of 2020, we've invested BRL215 million in these four transmission projects. And that's compared to BRL241 million invested in 2019.

Now, we are focused in the progress of the works, to finish Para 2, the Para 2 project and also the Tocantins transmission project. On October 19, we obtained an installation license from NATURATINS Institute to implement two transmission lines of this latter enterprise, which was the subject of a bidding process that started in December 2018.

On Slide 19, we talk about other events. That's the end of our presentation. And here we have two solar plants for our Alsol subsidiary. They are in the Irai and Piumhi cities in the State of Minas Gerais. Total investment of BRL23.6 million, which will add 5.9 megawatts peak to our current Alsol's portfolio, which is of 27 megawatts.

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This is our purpose, which is to deliver clean quality energy to our customers. In 2020 alone, we've invested BRL65 million in solar energy out of a total of BRL100 million in just a little over a year of acquiring Alsol. Alsol is a pioneering company in our country when it comes to photovoltaic panels and energy storage. Another important event for Energisa was the issuing of debentures for Energisa, adding up to BRL480 million to reinforce our cash and our investment activities that we are going to invest in distributors.

So, this is how I conclude this presentation. And I would like to show you Santana do Araguaia substation for the Para 1 transmission line. It is already operating and with energy moving through the transmission lines. This is one of the many projects that are still to come.

So, thank you all very much for your attention. This is the end of our presentation. And we can now open for a Q&A session. Thank you, operator.

Questions And Answers

Operator

Thank you. We will now begin our Q&A session. (Operator Instructions) Our first question comes from Carolina Carneiro from Credit Suisse. Carolina, the floor is yours.

Q - Carolina Carneiro

Good afternoon, everyone. Thank you for the call. I have two questions. The first is regarding cost performance. This is another quarter where you've managed to reduce your costs considerably, most of all, when it comes to recently acquired concessions in Rondonia and Acre. Can you tell me a bit, how much of this performance can be recurring because you mentioned in your results release that the measures are may be more directly connected to COVID.

So, my second question. ANEEL is having public hearings about the new method, regulatory method. Could you please give us first impressions about this method and about the ranking numbers that are out already for Energisa? These are my questions. Thank you.

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

Hello, Carolina. This is Mauricio. I'm going to start. The second question will be answered by my colleague Alexandre and the first one will be answered by Ricardo. We are out in the same room and we can answer your questions.

A - Ricardo Perez Botelho {BIO 2105867 <GO>}

Good afternoon, Carolina. And thank you for your questions. So let's start first with cost performance and how much of it is recurring, right? And also the initiatives we are doing in the states of Acre and Rondonia.

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

I'd like to start by saying that 2020 has been a year in which we have to adopt extraordinary measures, exceptional measures to go through this period of uncertainty. We have an agile and resilient company. So, we had some resources in our hands [ph], some tools. And we were always careful to preserve the quality of our services. As we said, we've had better results in that sense when compared to many years, but many of those measures that we adopted throughout the current crisis, they are not sustainable in the long term. They were applied or used for a specific situation, for a specific period of time.

An example of that is some salary reductions we've made for our directors for three months. We also suspended temporarily some labor agreements. The government had a provisional measure that allowed companies to do that. Some provisions that were open were frozen and we did not replace some professionals that left the company. And this is something we started to do in April when the crisis started. Our goal with distribution is to be at the forefront of our industry in all of our company.

However, we did not need this goal in Acre and Rondonia. But as we said, for this quarter, we did move forward in that direction. We reduced PMSO cost for these two companies by 48.2%, that's for Acre and 39.8% in Rondonia when compared to the same period of 2019. And we will keep on reducing costs, of course. Well, having said that, it means that we will keep on looking at our costs, aligned to the same path we followed in previous years, even before the pandemic. Mostly because we had to go back in some activities fighting losses and part of our back office positions and electrical technicians positions that has to remain to be kept open throughout the period.

We need to find these professionals now. So, they are being filled right now. Another important thing that I would like to add is connected to what we said during our Energisa Day, which we called reimagining the future. Well, this is a result of our experience of the pandemic, which is the discovery of new efficiencies, thanks to digitalization, customer service, greater efficiency in our back office activities. And also, we found other ways to improve our cost structure. So, we saw that we can eliminate a few things. Other factors [ph] be preserved. Others can be postponed. We are accelerating our digitization process and this will also be -- have an impact in our cost structure.

I hope I have answered your question. And I'll give the floor now to my colleague, Alexandre. He will answer about the regulatory method that is under public hearings at the national electricity agency, ANEEL, right now. We still have partial information.

A - Alexandre Nogueira Ferreira {BIO 19917568 <GO>}

Good afternoon, Carolina, and everyone. Well, regarding the public hearings started by ANEEL, the national electricity agents, we are still in the preliminary stage. We only have a technical opinion available with very few information in it. A very little information in it. We are waiting for more information about these new models. But what we see it, first, is a huge opportunity to improve (Technical Difficulty) when it comes to databases and to other topics as well. But this is still at its early stages. And at the end, we believe we will have a more sound methodology. That's what we expect right now.

Q - Carolina Carneiro

Thank you for your answers.

Operator

Next question comes from Marcelo Sa from Itau. Mr. Sa, you can continue.

Q - Marcelo Sa {BIO 16454581 <GO>}

Hello, everyone. Thank you for the call. It's a follow-up question to Carolina's. Connected to the new ANEEL methodology, to more specific questions. ANEEL has attributed an average efficiency based on a 20% efficiency target. That finally reached 83%, whereas before this was based and the average of all distributors and taking away the outliers. So that was a different calculation they had in 2018. What is your opinion about this change in the regulation? Is this subjective? Is this calculative? Or determined by the regulatory agency

I would also like to ask about the dimensions that were acted -- or added to the DEAI [ph] in terms of losses, quality and labor contingencies as well. I think that in your case for Mato Grosso do Sul that has led to a reduction in efficiency. Do these new variables make sense in your opinion?

Finally, I would like you to tell me a bit about the window for data analysis. We have data from 2016 to 2018. I believe that when this methodology is concluded, we will be able to include from 2017 to 2019. However, ANEEL's stated in the proposal that data would be analyzed only every 40 years. So if you have a review, that would take place in the future. This revision or review would use outdated numbers. In your case, you are doing this turnaround process and maybe that could be very negative for Energisa. Do you intend to send any contribution to ANEEL to ask them to analyze the data on an yearly timeframe? Thank you.

A - Alexandre Nogueira Ferreira {BIO 19917568 <GO>}

Good afternoon, Marcelo. As I said before to Caroliina -- and when I said, that we see a lot of opportunities to perfect the methodology, these opportunities are connected to some point (Technical Difficulty). Most of all to the first step, the average. And now with a new average, that would be outside the model, 1.20. So yes, we do see opportunities to improve this methodology.

Regarding the time window or the timeframe, same thing, 2019 was the year that will be included in the sample we believe. And we see a lot of opportunity to work on that subject. We really want to have a shorter timeframe, so that companies that have gains and efficiency will have an impact in their prices or range [ph]. The methodology itself is still at the early stages of public hearings

We did not have any conversations with ANEEL about it. And we believe several things can be improved. And at the end, we want to have quite a sound methodology. ANEEL is changing the model somehow. Actually, they are still using the DEIA [ph] model. So, what

we've said before point was -- as we said before, this is a positive point in our opinion. It's just a matter of checking the parameters and looking at inputs and outputs. In the previous methodology, this was at the outputs and now it's at the inputs. And we want to work on this. We believe there is a lot of opportunity to improve. And at the end, we believe that we will have quite a sound methodology.

Q - Marcelo Sa {BIO 16454581 <GO>}

Thank you, Alexandre.

A - Ricardo Perez Botelho {BIO 2105867 <GO>}

We received a question from the webcast. I'm going to read the question that we received through the webcast.

I would like to know whether Energisa has any news regarding the Voltz fintech, which was announced in during Energisa Day last October. What can you tell us about this -- the market segment? Well, regarding the partnership with Banco Inter, do you have any updates?

I'm going to answer both questions. Okay. Regarding the Voltz fintech, well, this is a company that we did a first announcement. And as we mentioned back then, we would let you know as we move forward with this project later this year. So, this is still at the building stages, at the structuring stages of this fintech. We already have a team working on the development of this product already. It is an app that will be launched. And behind it, we will first offer this to customers in our concession areas and also to our suppliers, to our collaborators as well. We will have several solutions for the payment of bill, solutions for credit, anticipation of receivables and finance, education and information services.

Our interest with that is to explore this market needs. However, this market is still ongoing -- this project is still ongoing. We don't have further details yet on dates or timelines, but we are actively involved right now in the creation and structuring of this company. We do already have a team of executives. So, this is an ongoing project and we have very positive expectations that this will be able to contribute in the future, to add more value to our customers and to our company as well.

Regarding the partnership with Banco Inter, well, that is connected to the sale of energy from our subsidiary Alsol or Alsol subsidiary in a model that has the rental of quotas in it, rental of solar parks, that are built in the State of Minas Gerais, where (inaudible) as a concession. This model with Banco Inter would then become a sales channel for the energy generated there and it will be sold through Banco Inter's super app. We started the first sales on October and we are having a ramp up stage, so to speak, increasing sales. And we will dedicate some of our solar parks, some of our solar power plants to this segment of individuals in this quota rental system. And we will do this jointly with Banco Inter. That's essentially what we are doing. It's a pioneering initiative in the State of Minas Gerais. And we are also excited. We really want this to -- we really want to accelerate and we have done this in the last few weeks, implementation of this project.

We have one more question. Could you comment on the debt rolling initiatives for 2021? How are the rates right now? My colleague Mauricio Botelho will answer this question.

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

Well, the debt market is open. We are going to have credit with the NDS, the National Development Bank. This is not approved yet, but we have some credit line about to be approved. It's a key pack [ph] operation and I hope to bring you more news about this in the short future. We issued some debentures recently, as you know, plus IPCA, plus 4.5% or CDI plus 2.3% a year. And I believe we have room for new rates next year.

Operator

(Operator Instructions) Thank you. I would like to give the floor to Mr. Mauricio Botelho, for his final remarks. Mr. Mauricio, the floor is yours.

A - Mauricio Perez Botelho {BIO 2105889 <GO>}

I'd like to thank you all for your participation in our call. Energisa is showing sound result in the face of such delicate moment we're going through. And we are adding value to our shareholders. I thank you all very much and have a good weekend.

Operator

Thank you. This conference call for Energisa is over. We kindly ask you to disconnect now.

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