

Y 2020 Earnings Call

Company Participants

- Henrique Manuel Marques Faria Lima Freire, Vice President of Finance and Investor Relations
- Joao Manuel Verissimo Marques da Cruz, Deputy Chairman of the Board
- Marilia Nogueira, Investor Relations Officer
- Miguel Nuno Simoes Nunes Ferreira Setas, Chairman of the Board
- Unidentified Speaker

Other Participants

- Analyst
- Andre Sampaio
- Sara Fattori

Presentation

Marilia Nogueira {BIO 22039088 <GO>}

Hello and good morning, everyone. Welcome to the web conference for reporting the fourth quarter 2020 and the year of 2020. I am Marilia Nogueira, IR Officer of EDP and our presentation is going to be by Miguel Setas, current Chair of the Board of Directors; Henrique Freire, VP of Finance and Investor Relations Officer; and Joao Marques da Cruz, President of EDP Brazil.

This webcast is being exclusive on the Internet and later on is going to be made available on the company's IR website. In the end of the presentation, we are going to have a Q&A question when you can ask your questions on the webcast platform.

Before moving on, I would like to let you know that any statements made during the event relative to the business outlooks are based on the beliefs and assumptions of EDP's management. Forward-looking statements are not a guarantee of performance, they involve risks and uncertainties and future assumptions and therefore depends on circumstances that may or may not occur.

And this way I'm going to turn the floor to Miguel, so that we can start. Miguel, you can go on.

Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}

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Thank you, Marilia, and good morning, everyone. I would like to welcome you to this webinar that summarizes the results of the year of 2020 and the fourth quarter. As it was announced, I'm here as the Chair of the Board of Directors.

Last Friday, as you know, we had a Shareholders Meeting and -- a Board Meeting. And we carried on with transition that was already announced that is Joao Marques da Cruz was appointed as CEO of the company. And I took over the Board of Directors as the Chair. I'm going to make a brief presentation of our historical results. And then I'm going to turn the call to the CFO and the CEO of the company that is going to make his first presentation before the market.

So we are going to go to the first slide. This is our agenda for today. Basically, if we are going to talk about our new governance structure, then we are going to briefly talk about the pandemic scenario. In this point of the agenda, we are going to talk also about the highlights of 2020, then a brief review of my term as CEO of the company between 2014-2020 then the results of 2020 per se and the introduction of the new CEO that is joining us in this call. So let's go on.

So as we mentioned last week, we started to have a Board of Directors with nine members. So I took over as Chairman of the Board; Joao Marques da Cruz is the Deputy Chairman. We appointed three members on EDP side, Rui Teixeira, Vera Pereira and Ana Marques that is appointed by the Controller Shareholder. And Pedro Malan, Modesto Carvalhosa, Francisco Pitella and Juliana Rozenbaum were capped as Independent Members. In the Executive Board, we have then Joao Marques da Cruz as our CEO and now we have a new Chair in our Executive Board focused on ESG, people and ESG, and we are going to talk about that further on more towards the end of the presentation when we are going to talk about ESG issues and the highlights for 2020. So let's move on.

So, I would like to have a word on the pandemic compact. As you know, we implemented a strategy that we call 3 Rs; one, is react to the pandemic, basically focusing on all our employee protection measures as you can see in the presentation. We have the liquidity reinforcement in the beginning of the company -- of the pandemic of BRL3.1 billion. So the company went through the pandemic in 2020 quite smoothly and all of the two measures to protect our workforce. So we had a Crisis Committee that met every week to make sure that we would make a timely measures to fight the pandemic.

The second R, recovery, we had the results recovery plan with 57 initiatives that enabled us to recover BRL745 million of potential losses had -- we not had the results recovery plan. And the third R, reshape, where we had the growth agenda for the company, customer relationships, digital transformation, innovation, the green recovery that is green investments for us to really resume our green investments post-pandemic, diversity and inclusiveness and new working models.

Some highlights of 2020, I'm not going to go into detail because our CFO is going to give you detailed information about the year. But obviously, in generation and commercialization, we couldn't fail to mention that the renegotiation of GSF with an impact of BRL388 million on our EBITDA, which is quite significant of this recovery that we

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saw in the fourth quarter, also very good results in the transmission -- in the commercialization company -- in the trading company that we are going to see from now on.

Transmission, 80% of the total CapEx execution. We did have some downtime, but all the work was resumed and today we have 80% of the BRL4 billion approximately of this investment -- BRL3.3 billion already completed, two lots in operation and four lots under construction. And the 7th lot that was acquired, Lot 18 of Maranhao that was acquired and we are in the process of closing the transaction for it to be part of our portfolio in transmission processes.

In distributed generation, the acquisition of a company called Blue Sol, that's the franchise for distribution generation project. It is present in seven states in Brazil, we acquired an equity stake of 40% and we have the possibility of increase the share from further on and we will certainly continue our plan, it is the first investment in this area and we already have 65 megawatts of projects contracted in the area.

In distribution, the highlight is the tariff readjustments that enabled us to adjust Parcel B of the two distribution companies in Sao Paulo by approximately 21% and in Espirito Santo by 2.55%. Also we have the historical record investments in the distribution with an increase of 16% compared to investments of the previous year. So quite an important investment, so increasing organic investments in our distribution companies.

On the financial side again, we are going to see that further on, but again our historical EBITDA BRL3.4 billion, 16% above the previous year. Net debt to adjusted EBITDA ratio that was quite adjusted our leverage, we are talking about the cap of 3x and we are at 2.4x. So within our policy, a recurring PMTO that had the decrease of 3.6%. So you're going to see that improves company efficiency and the implementation of a new dividend policy that gives a minimum payout of BRL1 per share with declared dividends and interest on equity of BRL599 million, the highest ever in the company with a dividend yield of plus 5%.

ESG and innovation, listed in as environmentally sound companies with Ibovespa and commitments to reduce emissions -- public meetings. So these are highlights in innovation and all areas that are part of our ESG agenda, that is increasingly important so much so that now we have a Chair that is focused on ESG.

And here just to give you a bit of history that you already know, but along seven years the company has invested BRL10 billion of which BRL6.6 billion in mature businesses, three hydro plants delivered ahead of schedule. A thermal company with very stabilized results and CapEx in distribution companies organic below 2x, that is the CapEx over the QRR.

In terms of growth, the focus is transmission. As you know, we are making investments of BRL4 billion. We already invested BRL3.3 billion, as I mentioned. And in terms of the stake of CELESC today, we have 29.9% of equity stake, the most relevant shareholder in the Santa Catarina distribution and future businesses about EUR300 million. You see the blue

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curve, the left part of the chart is still limited, but we believe that this blue curve is going to take an important share of our investments for the future.

As for our results, you remember our strategy to really double-digit growth, distinctive execution, derisking, discipline and driven by technology, these were the pillars we worked with in recent years and you see a double-digit growth in EBITDA growing 10% a year. Net income 13% a year, so we doubled our net income between '14 and '20 and our PMTO with a decrease of 26% between '14 and '20. So with the PMTO/MB ratio going down from 36% to 26% which is a result of the implementation of the programs that we had along the years. On the next slide, I'm almost finishing my presentation.

Next slide please. We are just making a slight adjustment in the presentation. We were -- with the presentation in the call in English, I apologize and we are going to change that now.

I'm going to carry on for us not to waste any time. So next what we had is basically a consistent dividend payout. You see a growing dividend of BRL1 per share in 2020. A BRL197 million that went to BRL600 million in 2020 with a dividend yield of 5.1%, which has to do with a dividend policy that we implemented in the company last year.

So let's move on. And therefore, you see a history that is very consistent in terms of results return to shareholders, so you see that in 2020, a very good results.

So now I'm going to turn to Henrique to go to Slide number 10. Henrique, I think you are on mute.

Henrique Manuel Marques Faria Lima Freire {BIO 19117781 <GO>}

Yes, I'm sorry. One of the worst problems in the years of pandemic, the mute button. So here I'm going to give you a bit of results starting with EBITDA. No matter how we look at the results of 2020. You're going to see quite good results in the year to show and I think in all business lines. So I'm going to start with our corporate EBITDA with an evolution of 16% going from BRL2.9 billion to BRL3.3 billion. Adjusted EBITDA, an increase of 12%.

Talking about businesses. In transmission, we had a drop which is easy to explain. Basically it accounts for two events. The first because of the replacement volume VNR less in 2019. It was a very high amount compared to 2020. It was the year of the tariff reviews, so there is a delta of more than a BRL100 million in VNR. And also you remember in the end of '19, we had an extraordinary event that has an impact of BRL74 million in the base period to -- favorable to EDP when we had the restructuring of our service provider and that there was an actuarial review. And in fact, if it weren't for this non-recurring effect, we had an adjusted EBITDA of BRL115 million and that again has to do with the tariff readjustments that we had in 2019 and 2020.

Remember that in the end of 2020 in the last quarter, we did have a tariff adjustment of EDP Sao Paulo with an increase of Parcel B of about 17% and that again shows in our financial results. And despite the drop in the market, the impact in terms of margin is not

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so high, because somehow we have the effect mitigated, because we have the industrial and commercial going down, although residential goes up. In transmission, we had an evolution that follows the constructions that we are having in hydro generation corporate speaking, we had the repactuation of GSF in ASL that led to BRL388 million in GAAP.

If it weren't for this effect, we would have a comparison of minus BRL9 million compared to the previous year, which is more or less on line -- in line with the previous year. Remember that hydro results adjusted numbers was less positive in the third quarter and then we had the recovery in all the other quarters. So in terms of energy allocated and strategy, it followed our position so we had a year that was quite equivalent to the previous year.

Pecem, positive year compared to the previous year, a strong cash generation. And here we had an improvement in variable income, a better purchases of coal with better results. In the trading company as you know, we are following the mark-to-market which is four years and we are quite comfortable which is a way to capture the work that we do throughout the year recording BRL93 million favorable compared to previous year, so quite expressive result, much more concentrated in the fourth quarter.

Going on to the next slide. So here's just a note on distribution. Just for you to understand what we faced this year, which is not the best scenario because of the pandemic, but giving you an idea of the impact that we had and the mitigating actions that we developed along the year.

First, energy volume, we did have a drop in volume of 3.4% in Sao Paulo and 6.3% in Espirito Santo. But in the Residential segment, we had an increase of almost 4% both distribution companies together. And more important than that, we did see a recovery in the fourth quarter both distribution companies, in line or above the fourth quarter '19. And when we compare third quarters, we had an increase of more than 10%. So we see clearly a scenario of recovery for these markets.

In terms of losses, we did have a degradation of losses. It's a bit uncontrollable, but we have to talk about that first because of the market, when the market drops, it drops in segments with less losses, technical or non-technical that is commercial, industrial segments, which have a lower losses. And therefore, when we see losses percentage-wise, we have a higher number.

A note about Espirito Santo; Espirito Santo is no longer calculating energy from Santa Maria and we also have the Dava impact of free client. They left their base and without these two effects, the 13.4% in losses of 2020 would be a 12.26% that is the effective value of our working in Espirito Santo with regard to losses, so a slight reduction compared to 2019. But both distribution companies are above the regulatory target and we continue to invest to mitigate these numbers.

This year, we invested more than BRL750 million on that. That is a growing amount and higher than the previous year. In terms of delinquency and specifically about PCL to over gross revenue also, we had a change from 0.8% to 1.2%, which is quite relevant

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degradation. But as I mentioned in the last call, this is far from being a number that is outside control. And if you take a look at the evolution of this indicator compared to the previous quarter is even positive that is where it is better than the third quarter. So the trend is right. I'd like to mention that when we talk about delinquency rates going up and we have several clients that pay in arrears and we also have a higher number in terms of fines and interest revenues up to EUR163 million in 2020.

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Next slide please. Talking a bit about recovery measures for our revenue, our focus since the pandemic started, the visibility that we started to have as of April and up to August. First, we were prevented from cut-offs in the period of pandemic of those clients with social-tariff until the end of November and all the others up to August. And as of August, we started to focus on recovering revenues. We were very active with the cut-offs. So we had 162,000 cuts with a recovery of BRL225 million, quite assert action. Also that negotiation, collection lawsuit, so in the period, we were able to recover BRL832 million, which is a high number, but not very different from 2019 in the whole of the year, more relevant is the chart in the middle that shows our efficiency and recovery.

And you see the ratio recovered reals to invested reals, you see that we have more efficient processes in place. So during the time, we had the freeze of cuts, we were more efficient. And another relevant topic is to increase our customer social tariff base. We didn't have as many customers that were enrolled in the program and with our actions, we were able to increase the base. This is important work to mitigate delinquency rates, so that the energy bill fits our clients' pockets.

Next slide, please. So here is this Slide 13. And this is something that I already mentioned before, but it is the increase in Parcel B with reinforced investments, you know that we are growing investments and I think that was a very right move in '19, we were about BRL300 million and now we are at BRL750 million. And from now on, we expect to continue to invest to enhance our network and even increase our CapEx and really go to a Parcel B for the new cycle with the investment over QRR of more than 2.5x.

And if you take a look at our distribution companies, we had a Parcel B review of 21%. The average effect perceived by consumers was below 5%. In Espirito Santo, Parcel B had a much more modest increase of 2.5x you know that, that started as of August, but with a reference of previous years in terms of inflation.

Let's go to the next slide. In transmission, we have the evolution of our timeline. Today, we have 80% of our CapEx executed, BRL3.3 million. This is the key year for us to complete many of our constructions, you have Lot 7 that is going to be completed in the beginning of the second quarter. That's what we expect Lot 18 in the end of the year, Lot 21, one of its parts in the beginning of the third quarter and the other part in the end of the year and Lot Q that is already at a very good pace and we expect it to be completed by the end of '21, beginning of '22.

So I think that here we have very good prospects and with this work really recover our productivity that was a bit lost in the middle of the pandemic as you know, Lot 18 and Lot 21 had a downtime of almost two months and then when you resume work, there's a bit

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of a loss of productivity, but that's so fast, we are going to continue to deliver these lots in advance. This quarter, we have an acquisition of an extra lot being Maranhao. It's called Lot 18, but it's a different Lot 18 because it's a different auction in Maranhao and that will certainly add to our portfolio and the idea is for September '22.

On the next slide, please. And here just for you to have an idea of hydro generation and trading. Here we had a higher gross margin of about 10% very much impacted by the trading, but is the effect of four years work and expressive gains along these years. Energy allocation was more concentrated in the third quarter, certainly in the second half of the year, but more so in the third quarter. As for the GSF renegotiation, we had EUR388 million and then in the consolidated numbers, but you also had Sao Manoel and Jari that were adjusted to our proportions in terms of our proportions stake.

As saying I think this is a very important point that I would like to highlight. You see how much we produce in the year then the plant availability. We continue with excellent performance. This is coal plant. It's not ESG-friendly, but it has had operational performance that is really excellent. And as a consequence also, excellent financial performance. We have a contract to 2027 and now we are going to go into a cycle of a very strong cash generation. This year we had the financial closing with the BNDES.

This process was a bit delayed because of the problems that the plant had in the past, but it was completed. So as of now there are no limitations for the payout of full dividends by the company. So for this year, we already have announced EUR280 million in 2020. In 2019, it was -- already the payout of a 100% but still with BNDES problem. Net debt to EBITDA with the strong deleverage now at 1.2x, so you can see that we are going to have a very strong cash generation for the coming years.

Next, talking about distributed generation. Well, this is a growing market. We still will see much growth for the future. Today, we have a 34.5 million installed capacity and we have more than 30 megawatts projects under construction. So a very good portfolio and it is something that we have been investing and it will gain traction in '21 and from now onwards. We have the acquisition of minority stake. Miguel has just told us about Blue Sol which is very important that reinforced our residential segmented operation and it's going to be quite important and we'll continue to invest in distributed generation and in the utilities scale that will may go us to have a higher weight of the segment in our portfolio.

Leverage now, we got to the end of 2020 with a net debt to adjusted EBITDA of 2.4x, as it was mentioned before with the payout of dividends of about EUR600 million -- BRL598 million, so according to our policy of BRL1 per share. And this indicator of 2.4x after dividends was going to be 2.6x, so still within our cap in terms of leverage. So I think this is a very important point for you to note that the market -- and we had several issuances for cash reinforcement in 2020 to go through more complex times in terms of delinquency of the business, but quite fortunately these operations took place one, two years ago and this year we started with the financing process. And in February we already announced BRL1.5 billion raised at distribution companies as an average cost of CDI plus BRL1.3 million [ph]. So prices are still not as they were before the epidemic, before the pandemic we had CDI plus 0.1%, but we were not at the levels that we were at the peak of the pandemic.

Next slide. So now I'm going to turn back to Miguel to talk a bit about our ESG agenda. Miguel?

Miguel Nuno Simoes Nunes Ferreira Setas {BIO 15901389 <GO>}

Thank you, Henrique. Well, it's a very brief comment, I'm going to turn to Joao Marques da Cruz. But just to tell you that the company is reinforcing its affirmative actions in the environmental, social and governance agenda. Some highlights in environmental, you have been following us along the year of 2020. We made public commitments with the UN with the science-based targets initiative to reduce CO2 emissions and ensuring that the targets are based on science. So this is a very important topic in the ESG context. We are the first company in Latin America, large company that has its targets approved by the initiative, our base targets. And also in the past 15 years, we have been investing in that and we are referencing five of the seven dimensions of the ISE. So we have a very strong agenda in sustainability also recognized by Ibovespa.

In the social area of investments that have been made in social and cultural areas. Particularly this amidst the pandemic as you know, we had donations to the most deprived communities, hospitals, entities that needed some kind of support, more than BRL10 million and a whole agenda that has been really focusing the company in terms of diversity and inclusiveness.

Going on to the next slide, that led us to have for the first time a woman in EDP Brazil Executive Board, Fernanda Pires. She was HR Director and now she was promoted to People and ESG VP. So we created a specific chair in ESG. In the Board of Directors, we have 33% of women. I will remind you that there was a study that was released by a renowned human resource consulting that says that the Brazilian average is 11% for public companies and EDP has 33% of women in its Board. And also a note of the turbulent action of independent members. We have four independent members, nine members altogether and each one of them leads one area, sustainability, governance related parties and inclusion and diversity, four committees led by our independent members.

So this is a clear sign of the importance that the company gives to governance. This is something that EDP Brazil has reinforced along its history. This is my final conference call in this webinar format as CEO. Well, not just CEO today as Chairman of the Board, but it is the last time that I talk to you.

I would like to tell all market members, analysts, investors, individuals, institutional investors and analysts, I would like to thank you all for the quality of interaction that we had in the last seven years. For me, it was a very gratifying experience and I wish all the best for my successor as CEO, Joao Marques da Cruz.

And now I'm going to turn the call to Joao Marques da Cruz for him to close the presentation. Thank you very much.

Joao Manuel Verissimo Marques da Cruz {BIO 17072999 <GO>}

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Thank you, Miguel. My first words to you even before good morning has to do with the continuity, which I think is so important. Companies are long-lasting structures. We all have to contribute to them and the contribution of my colleagues and friends, Miguel, set us in seven years as EDP's CEO was fantastic.

So now good morning, everyone. It is usual when there is a new face, a new role, people always ask, will there be changes or will there be continuity? Well, just to quote a British citizen that in 1859, Charles Darwin in the theory of a species evolution, he said it all and why? Because there is always evolution, but evolution is marked disruption. Disruption sometimes happens, but it's not good. Evolution certainly will happen, but it is the evolution of continuity. So we are going to meet several times in these conference calls.

So now I'm going to be a bit more qualitative because I joined the company as a CEO on Friday and today is Monday, but the idea is to have evolutionary continuity and species adapt -- companies have to adapt. We are in a sector that is going through an energy transition and that obliges us to evolve. So you see unlike this topic, I'm not going to mention the book that you will have this quote the Sapiens for you to read things up a bit beyond business.

But what I wanted to give you in qualitative terms are these nine messages. I'm not going to read them all. I'm going to go through them. The first message for investors. We are a public company listed and we are going to continue to deliver our business plan. If I only had 10 seconds to say something, this is what I would say, we will continue to deliver the business plan as always. Of course, delivery is very much related to the dividend policy that was announced recently. It is a dividend policy that the market sought and we are going to carry on. And it's very important for us to continue to have effective communication with you.

We have a strategy of growth, a strategy to continue to create value and therefore, we have to be effective in our communication with you, because we clearly believe that our value to be perceived by the market sometimes is lower than the real value of the company. We believe the company has greater value, and therefore, we have to be more effective in communicating our strategy to create value. And of course, to have our shareholders and public to understand that is more and more important. And we are accompanied that is a trader, a energy trading has to -- is growing, so we have to be more and more traders and we have to invest in our marketing initiatives.

And going through the several of our businesses at least three of them in distribution. Well, distribution business is our bet. There are always two important topics, which is to deliver quality services and to manage the regulatory agenda, which is always present. In all distribution businesses in Brazil or outside, because this is part of -- and we have to manage things to find balance. We are not worried about managing the regulatory agenda. This is something that we have always done and we are going to continue to do in an open way with a good relationship with all the public parties.

In generation -- generation business is under transformation, you all know that. In the past, we had a traditional generation in Brazil very much focused on hydro and thermal

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generation, but this generation is changing. And we have to adapt to changes. Therefore, we will continue to manage our assets. All of them our assets -- our assets that belong to us, we do not have an immediate agenda of divesting in any of our assets, but we want to transform our portfolio and transforming our portfolio means to get more relative weight and greater relevance to solar energy, decentralized solar energy particularly in the B2B segment, but also more centralized solar energy so to speak that is what we call utility scale, which we are very much interested in serving obviously, in the PPA contracts with the market.

In the transmission business, we want to expand, that's quite straightforward. We want to be active in primary various options and secondary markets, as Henrique mentioned, we did close an operation in the secondary market, but we want to have assets in both markets. And also we want to have a rotation of assets, we think that what is important is to gain transmission businesses in the primary and secondary market, executing them with efficiency, creating value, make them operational and then rotate the assets, this is part of our DNA of -- it is controlling group and we believe that we should implement, because this is how we are going to increase the total return of our shareholders.

And then we have our people where we are talking always to the market, our people are essential to deliver everything that we promised to the market and we wanted to have an ESG strategy that again is not something that is new, this is part of our DNA and we want to put into practice a more efficient agenda there, because the best way to be efficient is to have a coordinated action with our people being always motivated in EDP group as a whole, but also EDP Brazil, we have a great respect to our people and also to assets with excellent actions to -- an excellent guide to guide our actions.

And also diversity and society. We are all different that there are no people that are alike and we have to enjoy the diversity to really have equal opportunities to all. And innovation finally is very important. This is a company that is very active in terms of innovation. Digital transformation that is part of innovation is key to the business. So I thought that in those nine topics, innovation should be one of them.

So these are my key messages as I mentioned involving continuity, adapting to the responses the company has to give to a factor that is in constant innovation. So we are going to continue meeting, but before that we're going to start our Q&A.

Questions And Answers

Operator

(Question And Answer)

Well, thank you very much for your presentation. We are going to start our Q&A. If you have a question, you can use the webcast chat box. The first question comes from Andre Sampaio from Santander.

Q - Andre Sampaio {BIO 19422379 <GO>}

Hello, everyone. Good morning. I'd like to ask you a question. Did you have any news about the possible influence of the government on the electric sector?

A - Unidentified Speaker

Well, thanks for your question. Yes, we did hear that. I think the easiest answer is that we are not deaf, so we heard that. But what is most relevant is to give you a message of complete tranquility. We are in several confidence in the electric business and in several components. We have transmission business, which is highly regulated. We have contracts. And contracts, I would say, are sacred. They are valid. They are in effect. We respect our contract. We have a commitment with regard to contract. So there are rumors, there are ideas about the non-compliance of contracts. I really do not believe this is going to go on. We are fully confident that Brazilian institutions are not going to go there, this is not going to happen.

So we think that the subject that is implied in your question is a non-subject. But again, our standing is a constructive standing. And therefore, we believe at the right place, at the right time, we are always willing to talk to people. EDP is in Brazil forever. And because this is a company with a long-term standing, we will partner with all authorities to solve any problems that may occur.

Q - Andre Sampaio {BIO 19422379 <GO>}

Thank you.

A - Unidentified Speaker

I apologize. I would like to mention that we have other officers to answer the question. Luiz Otavio Henriques, our VP of Generation, Trading and Transmission; our VP of Distribution, Joao Brito; and our Regulation Officer, Luiz Felipe Falcone.

Operator

The second question we have comes from (inaudible).

Q - Analyst

Good morning, everyone. Congratulations on your excellent results. I would like to talk about your prospect for the transmission line. I know you cannot give guidance. But what is your prospect for that business line? Thank you very much.

A - Unidentified Speaker

Thanks for your question, (inaudible). Well, somehow, I think, I already answered your question. To say that transmission is a bet of ours. I don't know if we are going to win bids or not, processes, auctions, new lots. But there is something I know, we are going to be paying attention to all market opportunities in the primary and secondary markets, doing our best within a rationale that is our baseline. It's not to win at any cost, but winning at a

price that adds value to the company. And we believe other opportunities will show this year. For example, in the last bids, we did not win any lots, but now we did a transmission line in the secondary market. So we are active, we are paying attention that this is a business better interests us.

Operator

Third question, (inaudible).

Q - Analyst

What is the company view with regards to nuclear generation? Are you considering that for the future?

A - Unidentified Speaker

Thanks for the question. The straightforward answer is, no. We are not looking into that. We are not interested. We don't have anything against it, but we do not have any specific targets or knowhow in the business. We do not think that we are qualified to be a good player in this business. So we are not interested.

Operator

Next question comes from Pedro. I would like to know what the company positioning is going to be with regard to M&As?

A - Unidentified Speaker

We are interested and interested means lots of things. But we are interested. We are going to be active in M&A operations. I gave you an example in transmission lines in the secondary market, which is a way -- a form of M&A and also solar generation another area that interests us. And I already gave you signs even more than that, that we have to transform our generation, and transforming generation implies the rotation of assets. And so, therefore, we are going to be active in, what I call, the secondary market. So if you're talking about these M&As, that's the answer. If it's another type of M&A, that is the company itself in its whole is involved to be in other operations or other mergers and acquisitions, then no. I would say that we are interested in operational M&As for an active management of our portfolio.

Operator

We have a question from Sara from Mediobanca.

Q - Sara Fattori {BIO 18968791 <GO>}

How the company considered the multiple (inaudible) recent operations in Latin America. Do you think they are too expensive?

A - Unidentified Speaker

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That's a very interesting question. My comment is if the multiples happened that was some kind of agreement between sellers and buyers. We do have a very strict financial discipline, and which shows that in the past. I gave you an example of transmission options and we are going to continue with our discipline in the future. Financial discipline with investments that really add value to the company, this is essential. But I don't talk about operations of multiples of other companies. Certainly, other companies according to their capacities to deliver and generate value understood that the multiples were right.

Operator

Our next question comes from Alessandro [ph].

Q - Analyst

What is the prospect for the transmission sector in the 2 auctions that are expected for this year, auctions 1 and 2 of 2021? And also, I would like to congratulate the new CEO of the company. Let's be wise and profitable.

A - Unidentified Speaker

I'm going to start with the answer. You are right. Profit is very important. But without being wise, there is -- without wisdom, there's no profit. So things will go hand-in-hand. As for transmission, I think I already answered. We want to be active. Certainly, actions that will take place this year are going to be clearly analyzed by us. We want to take part because this is part of our core business. I don't know if we're going to win. That will depend on the market dynamics, but we'll certainly take part and analyze the dossiers in detail.

Operator

Our next question, Thiago [ph].

Q - Analyst

What is the strategy to increase the relevance of solar energy in the company portfolio for the coming years?

A - Unidentified Speaker

So farewell to organic growth and inorganic growth, said differently. We believe in our internal capacity of getting more clients. We are gaining new clients every day. Every day our sales force talks to clients, contact clients and shows our value to clients. And with that, we are gaining businesses in organic growth in the solar segment, but I don't rule out inorganic transactions. The M&A I mentioned shortly, we want to grow in solar generation, because this is part of the restructuring of our generation portfolio.

Q - Analyst

How do you see possible privatizations of distribution companies? And how can the COVID pandemic affect cash generation in the long term, especially because tariff readjustments may not take place as expected?

A - Unidentified Speaker

Well, there is a rule, we should always think of strategies in the long term. You should not make strategic readjustments or adjustments in -- for the short term. I hope in some months in the end of the year when we get to spring, COVID is going to be just a memory of the past. And people and the economy are going to be back to normal. Distribution, the question was focused on distribution. Distribution is something that, to us, is very important. Distribution is a priority. Therefore, if it is a priority, we have to pay attention to privatizations.

Q - Analyst

All privatizations of distribution companies are equal?

A - Unidentified Speaker

No, they are not. One is different from them all. And the one that is different is CELESC. And in a timely manner, we joined as shareholders. We have 30% of the company stake today. We have a very good relationship with other shareholders. We do not hide our strategy of being able to consolidate the investments that we made in CELESC. And we can say that we have 3 distribution companies that we are going to work with and we'll try to put the good practices of EDP business in distribution. I'm not excluding other distribution companies, but I'm highlighting that one is more obvious than any other.

Thank you, everyone. We are in a call -- in the call for more than one hour. The questions that were taken are going to be answered by the IR team. But we would like to thank you very much for joining. We are closing the Q&A and we are closing our conference call for the year of 2020. Good day, everyone.

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