

Q1 2022 Earnings Call

Company Participants

- Mauricio Perez Botelho, Chief Financial Officer and Investor Relations Director
- Ricardo Perez Botelho, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Daniel Travitzky
- Guilherme Lima

Presentation

Operator

(Call Starts Abruptly) (Foreign Language) In case any I need several planets that are Brittany you have the icon on the right-hand side, on the bottom. You have options English, Portuguese and you can mute the original audio in case you choose English. (Foreign Language) (Operator Instructions) We count on your understanding. Information that will be shared here and declarations operations during this video conference concerning business perspectives, financial and operational perspectives will depend upon information that is currently available.

Future of information is not assured because they depend upon future events and depend upon circumstances that may occur based upon market conditions and may affect the results and information here foreseeable. And those should -- those pieces of information should be taken into account.

Mr.Mauricio Botelho, Director of the company. Mr.Mauricio, please, the floor is yours.

Mauricio Perez Botelho {BIO 2105889 <GO>}

Good afternoon, everyone. It's a pleasure to be here. We shared the results of the company, the second quarter of 2022. We have Mr.Ricardo Botelho with the -- Ricardo Perez Botelho, Market Director; Mr.(inaudible) Admin and Operational Director; Mr. (inaudible) Corporate Finance Director and our IR Team.

So, let's go into Slide number 4. This slide shows the performance of the growth of the company. 2.3% growth, compared to previous year. Classes that are residential and commercial 66% of the consumption. The residential class that is 39.5% growth up to 5.5% constantly impacted. 70,000 consumers moved from the Brasil CADE. We have had

FINAL

climate that has grown increased in terms of temperature and that has caused the growth.

Now, (inaudible) 19.1% out of the total. We have had the greatest growth of the group. The Energisa group, especially Energisa home doing at that group 13.2%. Energisa Mato Grosso do Sul 9.5% and (inaudible) have a growth of 9%. The industrial class that is 22.2% of 2%, especially Rondonia state and Tocantins 32.2%. And Acre also with a positive growth. Rural 8.9% of the total consumption room. Rural influenced by the return of the consumers of the residential class moving from rural to urban. And as a fact is that effects the numbers that we have here. It's been a heavy rainfall season here that has affected us directly.

Next slide, please. Please bear with me a while I turn on the camera. If somebody from support to help me here, please. I'm not able to turn on the video camera here. So, I'll keep going without the camera, if you don't mind.

Slide number 5, we have the evolution of the electricity losses March 21, we have total losses 12.67%, reduction of 1.1 percentage points since the first quarter of 2021, the best result since the privatization of factory in Rondonia, with the fourth quarter with the incentive below different regulatory level. And it is in Rondonia. 3.1 percentage points compared to the first quarter of 2021, the first quarter of 2021, and the regulatory threshold 32.2%, 15.95%, 3.96 percentage points lower each band of regulatory (inaudible) the lowest since 2018.

The losses were around 28% Rondonia and 22% Acre. Tocantins that dropped 2.2% and is operating with 2.2% below the threshold -- regulatory threshold. We are working on this situation. We have Rondonia non-technical losses 13% much above compared to Mato Grosso. That is in the order of 15%.

So, let's see the quality indicators. Except for the deviation downward, so market rose. And you can see that they have the minimum in the historically speaking. Rondonia had a good result, Acre back in fact measurize best result ever in Mato Grosso elevation in DEC and FEC. Due to unfavorable weather conditions compared to the same period last year, it didn't live up to expectations. We are working on that concessions especially and we are

-- we have strategically planned to take it up to the expected level.

PMSO controlled expenses 2.6% above -- nevertheless below inflation that was in the order of 3.5%. We can see that we have costs here, inflation effected commodities input. This growth is in the order of 25%, 30% we have especially fuel and lubricant especially, and also the great maintenance default indicator in the order of 1.33% compared to revenue of the last three months against 1.09 compared to the first (inaudible) of 2021 and the same level of 2020. 24 percentage -- 0.24 percentage compared to the same period last year.

Compared to last year, we had the FIDC for the receivables. Those FIDC stands for debts that are hard to recover so they are defaults. So, we have foreseeable situations here.

Bloomberg Transcript

BRL36.1 million due to FIDC always compared to the same period last year. And you see that we are in the order of 96.5 million comparing here to the same period of last year. And the main hardship was in the residential area, which is as per expected.

We have EBITDA (inaudible) increased by 36.8%, BRL468 million more than year '21 and in the level of 1.8 billion. We have had increment offset some investments impacted this numbers and, of course, all the efforts to make up for the inflation impact. The EBITDA without the cash flow impact has an increment that is higher 50.6% reaching BRL1.5 billion.

Here we see evidence recurring from distributors comparing the regulatory level comparing to -- is operating on the positive side 19.2% (inaudible) I would say a good performance with a good direction within the distributors of the group. EBITDA, we have goods sectorial performances. We had an over performance of 44, under performance and we are up to 63.6%. I'd point out that this company back Acre and Rondonia are gradually transitioning. And I'm sure that soon they will be at the level of the best performing companies in the group.

Slide number 12, net revenue a drop of 33.5%. You see the numbers here compared 33.5%, compared to last year. We had derivatives with positive effects in comparison of the quarters. Excluding these events, non-cash flow related, we have a recurring revenue of BRL558 million, BRL162 million. So, a growth compared to 2021.

Now, that 19.2%, a growth of the order that you see here and they have investments, of course, that were foreseeable for 2022. Cash flow position and equivalent very robust, BRL7.5 million, very comfortable position for the next 12 months and prepared to face any volatility that may have come. 2.4 fold with an increment of 0.1 when you compare to December, 0.6x when you compare to the first quarter of 2021.

This indicator is used in our covenants and the limit is 4.5% and that means that we still have some room for our strategy for growth and performance. Investments, total investment of BRL1.4 billion a growth of almost 48% distribution growth 78%, BRL397 million, way above compared to the same period last year, (inaudible) invest BRL196 million. And we have foreseeable operations starting in September with a capacity that will be totally traded in the free market.

Distributed generation. A growth of almost 70% actually in the order of 70.8%, we created here energy is a way of our new brand together with El Sol and Energisa solution. We have here the idea of controlling (inaudible) performance of the company and help maintain the assess under management. (Multiple Speakers) we can add here 115 megawatt peak solar energy. We have previous precedent conditions that make us very optimistic for future results.

Now investments in transmission. Transmission, we are making an advance BRL1.8 billion, 68% out of the BRL3.8 billion margin (inaudible). We have some remarks here on Gemini. We have precedent conditioners. We have the approval of Vicad and Daniele.

Now considerations. The importance of the distribution segment for energy. So, we have -
- revisions of five next year, growth of no more than 5% of EBITDA for distribution. CapEx
of BRL3.8 billion foreseeable that we announced in the first quarter meeting. We have
acquisitions foreseeable to add to the platform of business.

We have Gemini and GPT two acquisition, 83% of the strategic objective and goal that
was announced last year. On June 30th, we have (inaudible) our transmission. We have 13
(inaudible), BRL2.2 billion. Energisa continues to review opportunities and we are going to
allocate capital with efficiency as much efficiency as possible. And very careful very
carefully, participation in the value chain we have our projects moving on very timely and
we have a vision that we will get 36-megawatt vehicle in the next three years. In April, this
year we had -- so we reached 31.1-megawatt vehicle that we mentioned on Energisa trade
last year.

On that note, I wrap up my presentation and I would like to open for questions.

Questions And Answers

Operator

(Question And Answer)

Now we start Q&A. We invite you to ask your questions all at once. Waiting for response
from the company. Send your questions via the icon Q&A. Your names will be announced.
You'll ask your questions live and then your mic will be open. You'll get a message
announcing that.

Our first question by Guilherme Lima, analyst at -- sell-side analyst, Santader. Guilherme,
your mic is open. The floor is yours.

Q - Guilherme Lima {BIO 21017551 <GO>}

Good afternoon, everyone. I have two questions. And your comment on what you have
seen the trend in BDT[ph] and default? And what you expect from the remaining of the
year and opportunities for growth in the short term? You've mentioned the bidding for
transmission and anything else that may make sense in this sense? And growth in
generation, strategy for growth in generation. If you are looking at inorganic growth,
renewable energies, and if you are thinking of renewable energy?

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

Let's try to break the question in two parts. Milton[ph] if you would deal with the first
question.

A - Unidentified Speaker

Good afternoon, all. The rate of default as we reported in March (inaudible) they are
within historic highs. We are still with the maturity of the flag of scarcity hydric[ph] and the

macro economic scenario that it requires a very wise eye to maintain -- to keep up with what's happening. We have at the end of the year that we'd have the 13 (inaudible) contract to Brazil. Economic wise speaking, revenue, whatever we see as an opportunity, we plan for.

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

Now the remaining of the questions we have two more. One question we have -- you were talking about the bidding in transmission. We haven't done the full study. We have some lots. We are going through Gemini that connects (inaudible) and Parana states.

Concerning the rest of your questions, we do not have a proper question at this point, but we are looking into that generation. OE wants to expand the renewable matrix and opportunities include greenfield as we're doing here.

I think the opportunities are out there, but we have the winds (inaudible) in South Brazil. We have authorization and access that is awaiting licensing. The other question, I cannot make comments in terms of the acquisition -- merging and acquisition. Regarding that part of your question, I cannot answer this point.

Operator

Our next question is by Daniel. We're going to open your mic so that you can carry on. Daniel, please carry on.

Q - Daniel Travitzky {BIO 20928929 <GO>}

Good afternoon, everyone. A follow-up on the question of Guilherme. If you could actually talk about the ramp-up of the distributed generation range. I would like to understand the speed up, this ramp-up. When will speedy productivity of that in the results of the company? And what is actually expected?

And I would like to hear about the bidding on 4th of May, and what you foresee for that bidding.

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

Generation guys, one of you.

A - Unidentified Speaker

The ramp-up wise distributed generation, I have commented on. We are making the advancements very fast and this year we are going to reach 230 megawatt peak. We're estimating that. I think it's very solid and reasonable. So I have a program for next year, but I wouldn't like to have to share anything anymore shape that because we are still strategically working on it. Minus four you mentioned that bidding. We are not dependent on any acquisitions at that point and this is just to have an idea of the sectorial position. Energy acquisition will be a major point.

Daniel, I think the focus here is the renewable generation that we want to expand on and trading in the free market.

Q - Daniel Travitzky {BIO 20928929 <GO>}

Perfectly. Perfect. Thank you.

Operator

We remind you that to ask questions, through the Q&A icon at the bottom of your screen. Your names will be announced so that you can ask your questions live. So that your mics will also be opened.

Our next question by Mr.Daniel. We will open your mic so that you can carry on.

Q - Daniel Travitzky {BIO 20928929 <GO>}

Actually, it's -- I'm back just with a question trying to clarify whether you assessed and evaluated opportunities on concernings (inaudible) company in Goias and whether you see opportunities in that concession? And what is the position of the company in concerning that especially.

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

The company always analyzes and assesses the opportunities in transmission and generation. Now M&A wise, mergers and acquisition, I cannot comment any further. It still not prepares to be disclosed. Thank you.

Operator

Again, in order to ask questions, use the icon Q&A at the bottom of the screen, your names will be announced so that you can ask your questions live upon opening your microphone. If there are no more questions, I would like to offer the floor to Mr.Botelho for final considerations.

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

Thank you. I thank you all for being part of this results meeting. You see that we had a decrease in revenue, but the events that caused that are non-recurrent. Energisa is a differentiated player in the market, especially in the share market in Brazil.

On that note, thank you all and have a great day.

Operator

Now we adjourning the quest -- we are adjourning the session of the first quarter. The RI department is prepared to answer your questions. Should you have any more questions, please send email.

FINAL

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript